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Pension Fund Pot of Gold?

Telecommunications On the Horizon

Grounds Upkeep: Cost-Saving Ideas

Financial Headaches Dominate Survey

AMERICAN CITY & COUNTY®

November 1987 Vol. 102, No. 11

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Photo by Sam Turner, Atlanta; Piggy bank courtesy of Chelita Freeman, Hapeville, Ga.
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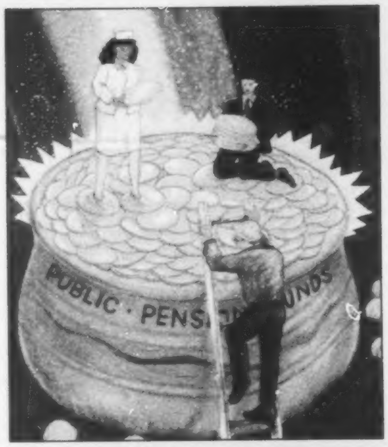

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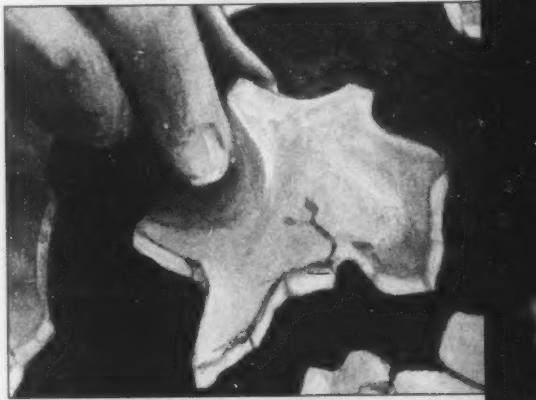
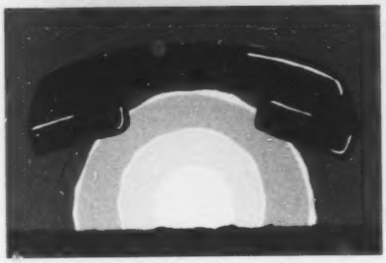


32 Survey of Issues



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- Distribution and continued funding of existing federal infrastructure trust funds. Horsley cites $15 billion in reserves, particularly in highway and airport trust funds, now being held.
- Elimination of federal restrictions on the use of tax-exempt financing for infrastructure needs.
- Creation of a federal capital infrastructure program to provide assistance to states and localities in meeting infrastructure needs.
- Establishment of a federal, long-term multi-year capital budget.

Along with NACo, the U.S. Conference of Mayors and NLC, the coalition includes: American Consulting Engineers Council, American Institute of Architects, American Public Works Association, American Society of Civil Engineers, Associated General Contractors of America, National Association of Home Builders, National Conference of State Legislators, National Governors Association and Public Securities Association.

— Ellen Perlman

Recreation Delegates Meet in New Orleans

Even though "Life, Leisure and All That Jazz" was the theme for the National Recreation and Parks Association's Congress in New Orleans, the emphasis quickly shifted to doing more with less in this era of budget cuts.

More than 5,000 delegates attended the annual event in September, with more than 200 educational sessions to choose from. Seminar topics ranged from funding priorities among local programs and a selective legislative agenda to using wildflowers in public parks to make the scenery more colorful. More than 600 exhibitors displayed their products in Louisiana Superdome.

"We need a higher level of dependability among our budget planners," according to Ney Landrum, director of the Division of Recreation and Parks for the Department of Natural Resources in Tallahassee, Fla. "When it comes to maintaining outdoor recreational facilities, the stability of the funding source is just as important as the amount of funding."

Establishing revenue sources for park rehabilitation also was discussed. Mike Ensch from the President's Commission on Americans Outdoors told delegates, "There are a variety of funding sources available for this purpose. These include land-development fees, visitor fees and user-pay programs. However, taxes provide most of the money for this area."

Several key bills are slated for debate in the 100th U.S. Congress, including the Land and Water Conservation Fund (LWCF) appropriations, which provides 50/50 matching federal funds to

SURVEY SPOTLIGHT

Study Released On Privatization

Privatization, an increasingly popular local-government buzzword, was the subject of a recent study conducted by the accounting firm Touche Ross. According to Irwin T. David, national director of public-sector services for the firm, use of privatization — where private companies provide traditionally government-run services and facilities — is fairly widespread among U.S. cities and counties.

Nonetheless, statistics describing the extent to which privatization actually is practiced as an alternative method of public-service delivery were not readily available. So Touche Ross conducted a survey attempting to measure city and county use of privatization, and released the results of its study in a report entitled "Privatization in America."

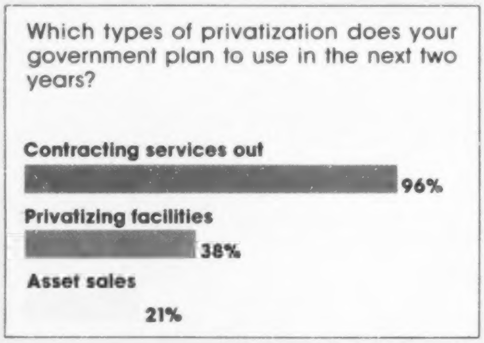
Co-sponsored by the Privatization Council and the International City Management Association, the report is based on a survey of public officials of cities and counties with populations of more than 5,000 and 25,000, respectively. Questionnaires were distributed last July and 19 percent, or 1,086 government officials, responded.

Of all those participating in the survey, nearly 80 percent say they have used or expect to use some form of privatization in the future. Almost all of the governments that have used privatization in any form have used it for contracting services out to the private sector. The services most frequently contracted out in the last five years have been solid-waste collection or disposal (nearly 60 percent), vehicle towing or storage (45 percent), and building or grounds maintenance and service (nearly 45 percent).

About one-third of the governments that have utilized privatization in any form have privatized facilities, including sewage-treatment plants and solid-waste or resource-recovery facilities, and nearly 40 percent indicate they plan to do this during the next two years.

In addition, nearly 25 percent say they have already sold government assets to the private sector, but only 21 percent plan to sell them during the next two years. Of those that have sold assets, nearly 70 percent have sold vacant land, presumably for development by private-sector developers, the study reports.

Respondents also indicate savings of operating and capital costs, as well as solutions to inadequate governmental staff and facilities, were their primary reasons for turning to the private sector in the above areas.



Impediments to privatization, regardless of which form, were most often cited as loss of control, politics, and a lack of belief in the benefits of privatization. Union or employee resistance was ranked as a more important impediment to contracting services out than to privatizing facilities or asset sales.

"Privatization is not a panacea, but a technique to be used when appropriate," says David. "Regarding it as one of several ways to provide the services their citizens want and need, (local officials) examine it carefully alongside other methods, service by service." He says the most critical conclusion of the survey is, "There is still an urgent need to educate citizens and policymakers on alternative methods to provide services to taxpayers."

The majority of respondents say demand for services (65 percent) and taxpayer resistance to tax increases (59 percent) have increased their interest in privatization.

Local governments most frequently choose established organizations that have provided the same or similar service to other governmental units for privatization projects. They most often select the private organization on the basis of the lowest or most competitive bid. Copies of "Privatization in America" are available from Irwin T. David, Touche Ross, 1900 M St., N.W., Washington D.C. 20036.

— Karen Kutz

AC&C Survey

Financial Headaches

This year's "Survey of Issues and Trends" reveals local governments are still struggling to find ways to maintain existing infrastructure while building new facilities.

By Ken Anderberg, Editor

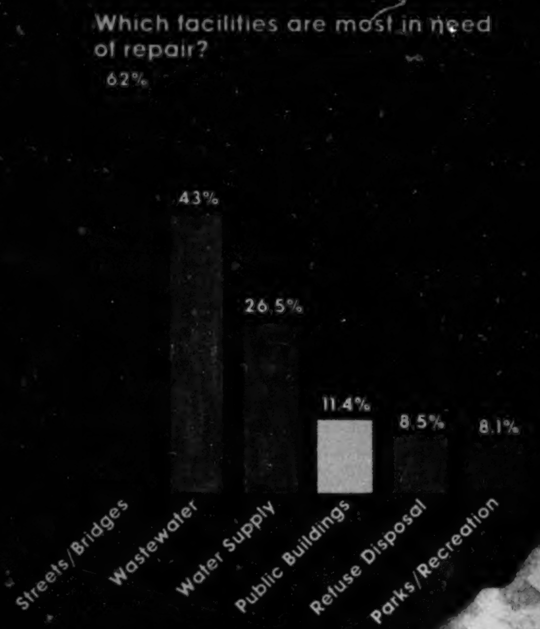
Illustration by Brian Buxton

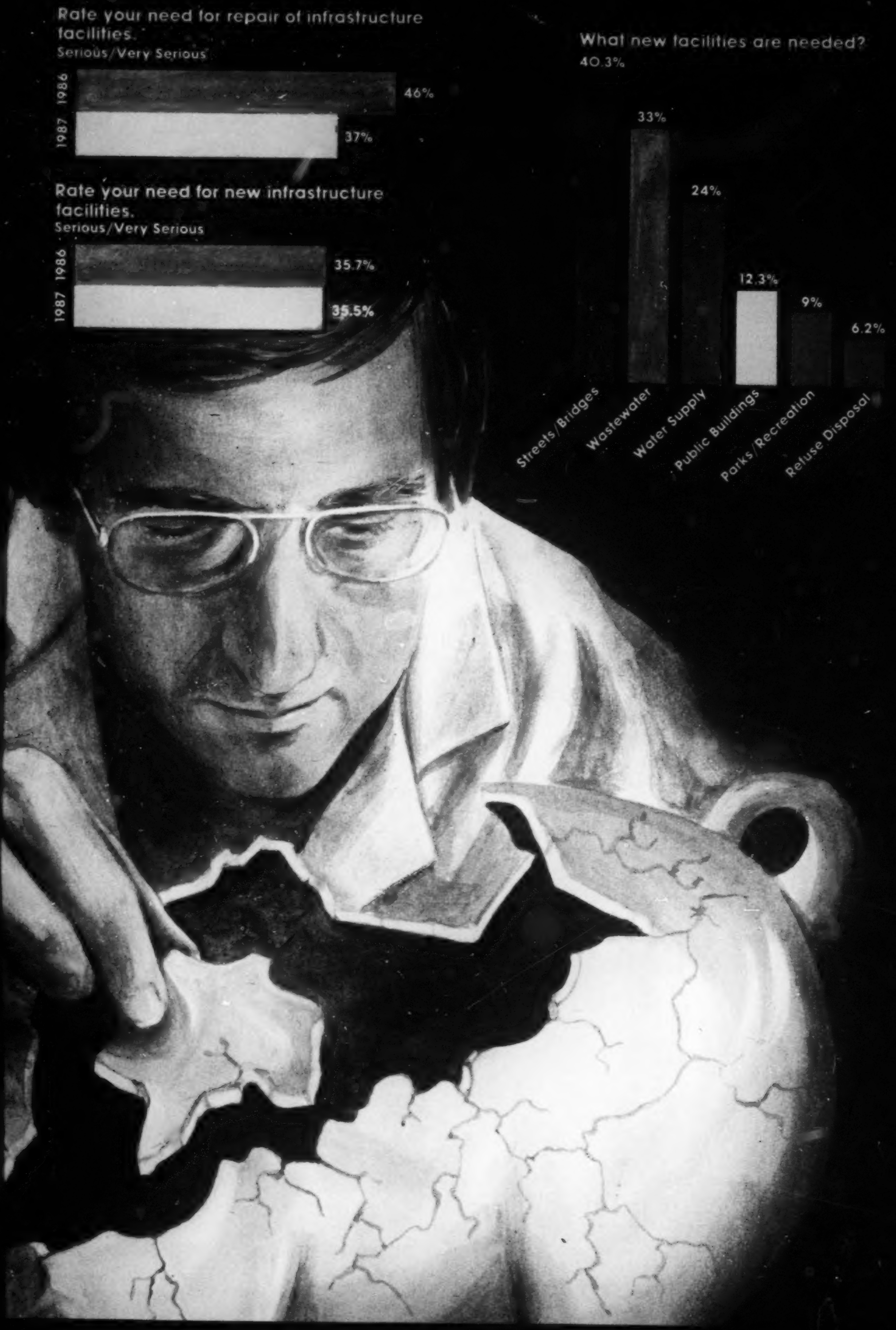
Sioux City, Iowa, needs a new city hall. Built nearly 100 years ago, the existing building is plagued with the kinds of plumbing, heating and air-conditioning problems associated with an older structure. The facility "does not function effectively," says City Manager Alan Harvey, but the city has no plans to build a new one.

This middle-America community of 82,000 people, which sits alongside the Missouri River opposite the shores of Nebraska, is typical of the plight of America's cities and counties. New facilities are needed badly and the price tag goes up every year, but when there is not even enough money for maintenance and repair, new projects are put on hold. The result often is a financial headache with ever-fewer remedies.

Harvey is one of 211 city and county officials who responded to *American City & County*'s annual "Survey of Issues and Trends." Every region of the country is represented in the study, with 84 percent of the polled communities having populations of less than 100,000 people. Ten cities and counties with populations greater than 500,000 responded. Survey participants were asked 17 questions related to infrastructure needs, financial concerns and purchasing plans.

Sioux City's Harvey was among the 37 percent of respondents who rated their need for infrastructure re-



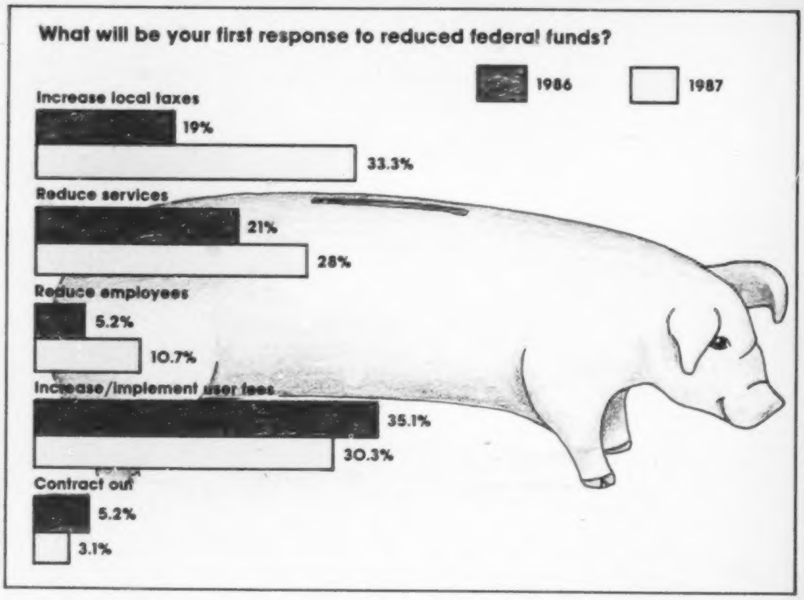

Rate your need for repair of infrastructure facilities.
Serious/Very Serious
1986
46%
1987
37%
Rate your need for new infrastructure facilities.
Serious/Very Serious
1986
35.7%
1987
35.5%
What new facilities are needed?
40.3%
33%
24%
12.3%
9%
6.2%
Streets/Bridges
Wastewater
Water Supply
Public Buildings
Parks/Recreation
Refuse Disposal

pair as serious. Another 52 percent said their repair needs were normal or moderate, while slightly more than one in 10 rated their facilities in good condition. In contrast, 46 percent of respondents in last year's survey said they had a serious maintenance problem, and only 8 percent called their infrastructure in good condition.

The cost for that repair is going up, however. In 1986, 45 percent of those polled listed the price tag for needed work at more than $5 million, with 13 percent saying the cost would exceed $20 million. This year, those figures have climbed to 49 percent and 14 percent, respectively.

According to the survey, streets and bridges, and wastewater-collection and treatment facilities head the priority list for repairs. Nearly two out of three respondents cited maintenance of streets and bridges as a priority, while two of five mentioned wastewater systems. Maintenance of water-distribution and treatment networks is a concern of more than 26 percent of those polled, while government buildings were mentioned by 11 percent.

Bill Wood, public works director for Pascagoula, Miss., calls his city's wastewater-collection system "a perpetual millstone around our necks. It's getting old and falling in. There's a lot of infiltration."


What will be your first response to reduced federal funds?

But Pascagoula's 30,000 residents are not inclined to approve funding for repair, Wood says. "The city doesn't have the money to do anything," he says. "The only real possibility is a bond issue and the taxpayers have consistently voted down bond issues. They've even vetoed school bonds."

Wood adds the city also is in need of an improved water-supply system since local well water is of poor quality and does not meet federal standards.

Madison Heights, Mich., currently is repairing three of the four major roads in the city, says Peter Connors, public works director. "Two are getting an asphalt overlay and another is being expanded to five lanes," he says. The

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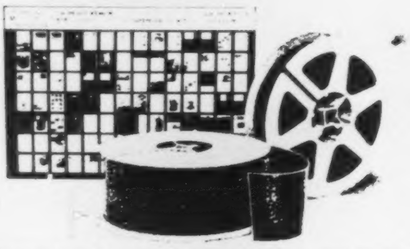

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work is being financed through a special-assessment district fee on local roads.

John Reale, water and wastewater superintendent for Rantoul Village, Ill., says his city "just completed an $18 million sewer-system expansion. The project took 2½ years to complete, and it will more than double our capacity." Reals says the construction cost of the program was financed through a 20 percent rate increase in the city's wastewater services and a 12 percent rate increase in water services.

"We've been addressing our infrastructure issues for the last three years," says Peter Naum, Bedford, Mass., finance director. "We need to expand our well capacity since we import most of our water now. Water and sewer are financial concerns. We're either going to spend to import or to provide our own."

Regionally, communities in the Southeast and Midwest/North Central states have the highest percentage of repair needs, with the Northeast/Mid-Atlantic the lowest. Street and bridge rehabilitation is mentioned by two of three respondents in the Midwest/North Central region, with sewer and wastewater-treatment maintenance rated highest in the Southeast (48 percent). The Southeast also has the greatest water main and waterworks repair needs (35.5 percent), and park-maintenance revitalization requirements (22.6 percent). Land-short states in the Northeast/Mid-Atlantic rated their refuse-disposal needs highest, regionally, at 13 percent.

Rehabilitation costs are listed lowest in the Midwest/North Central area (34 percent over $5 million), and highest in the Southwest/West (63 percent over $5 million).

Unlike infrastructure repair, the need to construct new facilities has not slowed since last year. Slightly more than one of every three communities surveyed say their new facility requirements are serious, the same as in 1986. The difference this year is in the cost for providing those facilities. Last year, about 42 percent said the price tag for needed projects exceeded $5 million. This year, half the communities polled listed $5 million and above. Fourteen percent will require more than $20 million for new facilities; last year that figure was 11 percent.

Again, street and bridge construction top the priority list with two of five respondents saying they need new facilities. Next were wastewater systems at 33 percent and water supply at 24 percent. Twice as many communities as last year cited a need for new parks.

Bernard Davis, Galveston, Texas, parks and recreation director, says new streets and public buildings are the main concern for his community. "The budget was just approved," he says, "and we have a good contingency fund for street improvements — $722,000." Galveston's needs are serious in both repair and new facility categories, says Davis, with $5 million to $10 million required for both.

Maryville, Mo., has a permanent street program, according to waterworks and wastewater-treatment superintendent W.D. Driskell. "Every year, 10 to 12 blocks of streets are added." Still, Driskell lists new streets as a priority, along with sewers and water mains. He rates the city's needs as moderate in these areas.

New construction receives the highest survey priority in the Southeast, where 48 percent cite a serious problem, particularly in the area of wastewater collection and treatment. More than half the cities and counties responding from the Southeast say the price tag for new construction will exceed $5 million. New streets and bridges are needed most in the Midwest/North Central (46 percent) and Southwest/West (43 percent); more than one-third must construct wastewater facilities in the Midwest/North Central; new water-supply systems are sought by more than 27 percent in the Northeast/Mid-Atlantic; and new public buildings are needed most in the Southwest/West (12 percent) and Midwest/North Central (11 percent).

Albemarle, N.C., currently is building a $7-million, 6-million-gallon water-treatment plant, says Garey Edwards, city engineer. The project is being funded with municipal bonds.

Costs are going up but financial remedies are dwindling, according to the survey. Last year, officials said they were relying on new taxes and user fees to raise new revenue, while also reducing services and employees. This year, user fees are expected to shoulder a heavier burden as many communities have done all the tax raising, employee cutting and service reducing possible.

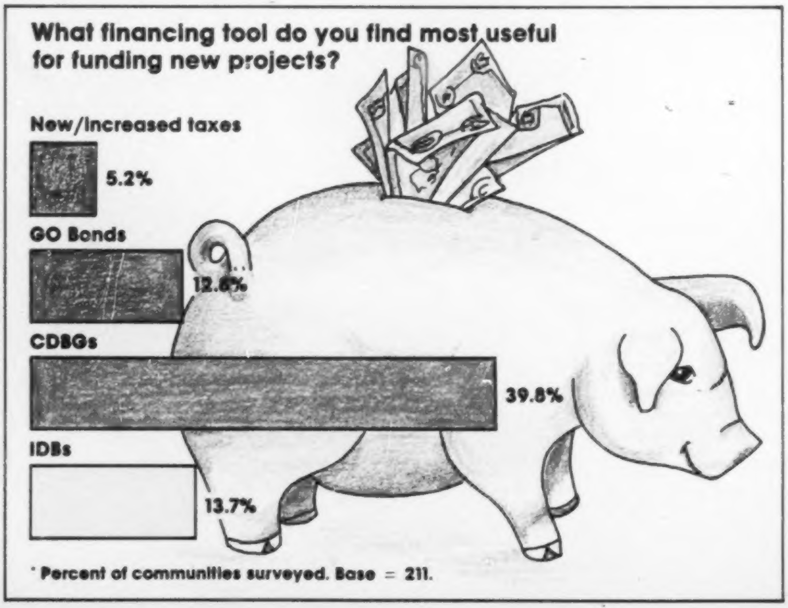
More than one-third of the respondents say they will implement or increase user fees as a result of reduced federal financial assistance, up 16 percent since last year. In sharp contrast, eliminating jobs is a choice of only 5 percent this year (compared with 11 percent in 1986); reduced services is the choice of 25 percent fewer communities this year; and new or higher taxes is preferred by 19 percent in the current survey as opposed to 33 percent a year ago.

The Pascagoula "Street Division will take some substantial cuts," says Wood. "And the Police Department will be cut down some. We'll also have to reduce our grass cutting."

The city's most pressing problem is a "shortage of money," he adds. "The way the feds have squeezed the states and the states are squeezing the cities, we have no one to turn to except the taxpayers."

Galveston already has cut 28 full-time employees, by seniority, reports Davis. Mayor Maureen O'Connor of San Diego says her city will reduce services as its first option, starting with administration. Connors says Madison Heights is leaning to user fees, while Harvey of Sioux City says his community has not increased user fees as yet. And Albemarle has already increased user fees by 5 percent to pay off revenue bonds.

Bedford "tries to avoid borrowing," Naum says. "We rely a lot on user fees, particularly in the water and sewer area. We have built financial models on water and sewer rates, which incorporate all cost factors with a certain amount of



* Percent of communities surveyed. Base = 211.

flexibility, including expansion of the system and maintenance. We have had no negative reaction to 30 to 40 percent rate increases.

"This town has a great deal of foresight and if a service is legitimate, then we will fund it," he adds. "We would not eliminate existing services."

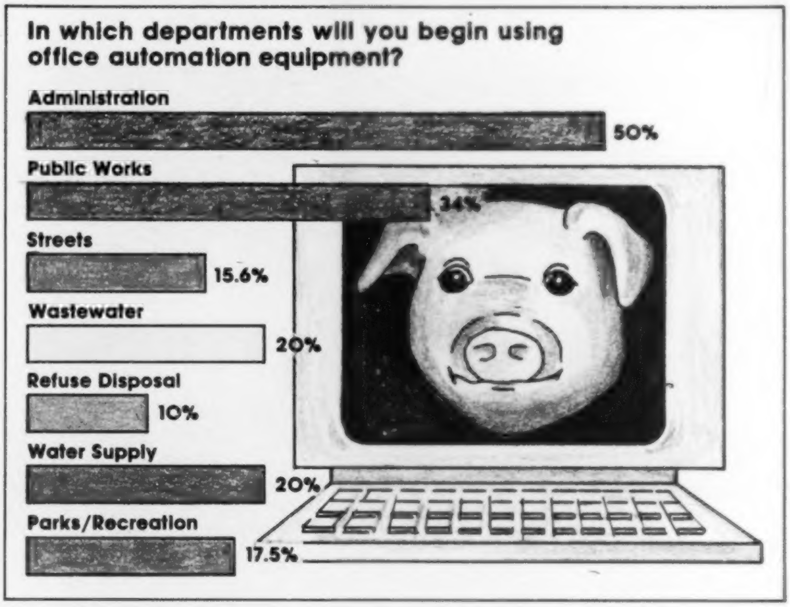
Other survey highlights include:

●More than 63 percent say public-works activities will be the first services affected by any loss of federal funds, down from last year's 71.6 percent. Less than half as many communities this year would cut into police and fire services as in 1986.

●About half of those polled say their preferred choice for residential waste disposal is public or private landfills, down by 10 percentage points from last year. Resource recovery did not gain as a disposal option, however, indicating many communities are undecided about their course of action.

●General-obligation bonds are considered the most useful financing tool by 40 percent of respondents, but the usefulness of community-development block grants declined from 21.5 percent last year to 13.7 percent in this year's poll. The decrease parallels sharp budget reductions in this federal program.

●Half of the cities and counties surveyed say they plan to begin using computers and word processors in their administrative operations in the coming year. One of three public-works departments will see increased automation, and 20 percent of water and wastewater departments plan to begin using high-tech equipment.


In which departments will you begin using office automation equipment?

Jim Nightengale, waterworks superintendent for Keizer, Ore., says "We are in the process of purchasing a new computer system to handle our water and sewer billing." The system will cost $80,000, and when in operation will enable the city to discontinue data-processing contracting services. ☐

Additional research was provided by Tim Darnell, assistant editor, and Vené Franco, editorial assistant.

CHICAGO UPDATE!

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MUNICIPAL COST INDEXES

All four indexes registered small increases over last month's readings, with the **Consumer Price Index** showing the most gain. This month's figure of 342.7 indicated a 0.5-percent increase from October's 340.8. The **Municipal Cost Index** reading of 351.8 marks a 0.3-percent rise from October; it has been more than a year since the index dropped. The **Construction Cost Index** rose 0.2 percent, to 387.9, while the **Producer Price Index** showed the least gain, 0.1 percent to 310.5. This index, though, also demonstrated the most gain from November 1986, an increase of 4.5 percent.

Cable wire rose 3.4 percent from last month, while wiring devices read 386.6 for November. Switchgear dropped 0.2 percent from last month. Metal fabrications registered at 321.4, and generator sets increased 0.1 percent.

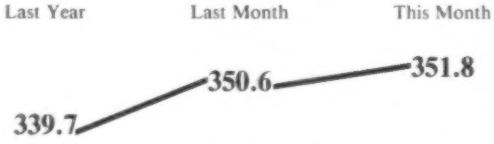
— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	150.1	0.3	0.6
Apparel	188.0	-0.3	1.7
Asphalt Roofing	370.0	2.1	-4.5
Chemicals, Industrial	335.9	-1.7	6.5
Coal	515.4	-0.3	-4.3
Concrete Products	326.3	0.1	0.4
Construction Machinery	375.5	0.2	2.3
Diesel Fuel	474.7	6.1	56.3
Electric Components	203.7	-0.1	0.5
Electric Lamps	353.3	1.7	1.5
Electric Power	465.5	-0.2	-0.3
Engines, I.C.	359.9	0.1	1.5
Fans, Blowers	371.7	0.3	1.6
Fertilizers, Mixed	257.4	0.5	2.1
Floor Coverings	200.5	0.8	2.2
Flow Instruments	241.1	0.1	1.8
Footwear	270.3	0.7	3.3
Foundry Products	365.3	0.4	0.9
Fuel Oil No. 2	494.1	4.2	39.8
Furniture	327.3	0.2	2.9
Gasoline	429.5	3.5	38.2
Generator Sets	357.3	0.1	1.2
Glass	238.3	-0.3	2.5
Glass Containers	402.3	0	0
Gypsum Products	308.6	-2.6	-10.2
Hardware	307.1	0.1	0.1
Heating Equipment	274.4	-0.3	1.9
HVAC Controls	131.3	-0.1	-0.2
LP Gas	370.7	2.9	24.4
Lubricants	345.0	-0.2	-5.6
Lumber	335.0	0.1	7.5
Metal Fabrications	321.4	0.7	1.7
Millwork	332.0	0.2	3.2
Motor Vehicle Parts	367.1	0	2.6
Mowers	267.7	0.2	1.1
Natural Gas	1069.0	-2.6	-5.6
Office Machines	159.0	0.1	2.9
Paint	334.6	0.5	6.7
Paper	319.5	0.5	3.9
Passenger Cars	234.7	-2.1	1.5
Plumbing Fixtures	333.8	0.3	3.4
Plywood	238.6	2.5	1.5
Portland Cement	346.6	-0.1	-1.0
Residual Fuel	721.6	4.8	99.9
Sand, Gravel	329.6	-0.1	3.2
Sanitary Papers	386.2	0.4	-0.7
Soaps, Detergents	277.8	0.2	2.3
Sporting Goods	210.4	0.5	1.4
Steel Mill Products	355.0	0.2	1.6
Struc. Clay Products	319.4	0.8	2.9
Switchgear	290.7	-0.2	1.8
Tires, Tubes	232.4	0.1	-0.3
Transformers	240.2	1.9	2.5
Trucks	344.9	-0.1	-0.9
Valves	107.9	0.3	0.8
Wire, Cable	217.6	3.4	5.9
Wiring Devices	386.6	0.8	3.2

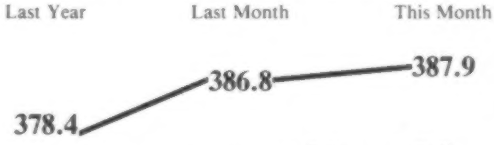
At-A-Glance Changes

MUNICIPAL COST INDEX



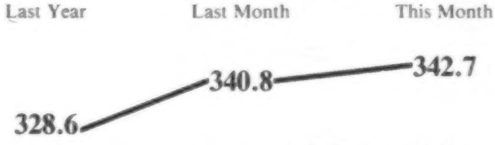
Percent Change From Last: Month **0.3** Year **3.6**

CONSTRUCTION COST INDEX



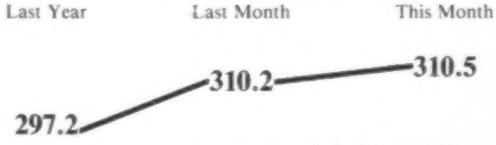
Percent Change From Last: Month **0.2** Year **2.5**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.5** Year **4.3**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.1** Year **4.5**

These figures are calculated on a base year of 1967.

QUARTERLY MUNICIPAL TRENDS

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Receipts	634.8B	.9	7.8
Federal Grants	104.1B	6.6	-10.9
Durable Purchases	23.6B	3.1	9.8
Consumables	37.6B	2.7	-6.0
Services	387.4B	2.3	8.0
Structures	64.6B	-2.7	16.2
Salaries, Wages	309.8B	2.3	6.0
Surplus	59.4B	-7.7	1.0
Employment	13.999M	-.4	2.7

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America's All-Star

Leader of the Year: Mayor Henry Cisneros

Changing Economics Revives Recycling

Awards of Merit: The Winners Are...

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League of Cities Conference Issue

AMERICAN CITY & COUNTY®

December 1987 Vol. 102, No. 12

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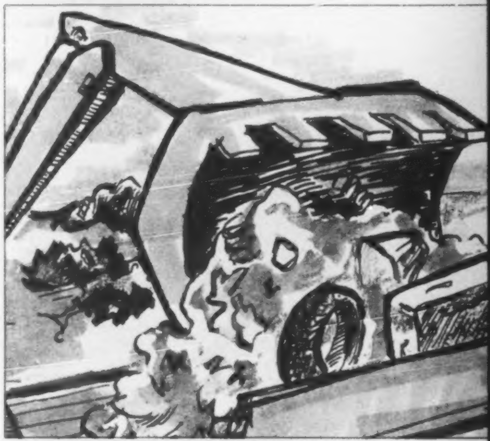
34 Awards of Merit



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Deficient Bridges Pose Long-Term Threat

With 200,000 bridges — 41 percent of the nation's inventory — rated structurally "deficient," the United States faces "a significant problem five or 10 years down the road," John Ahlskog, bridge-management chief of the Federal Highway Administration (FHWA), told a meeting of the American Consulting Engineers Council.

As bridges age and inspection costs increase slightly, Ahlskog said more funds will be needed to run bridge-rehabilitation programs. States will have to prioritize bridges for repair more effectively, and FHWA will have to identify the nation's short- and long-term bridge goals.

Nearly $5 billion is spent on bridge repairs annually, he said, including federal, state and local funds. The 1987 Surface Transportation and Uniform Relocation Assistance Act, passed by Congress earlier in the year, authorizes $8.1 billion for bridge rehabilitation in fiscal 1987 to 1991, or about $1.6 billion annually. "State and local governments must do their share," Ahlskog cautioned. "The federal government will not provide all the funds."

Denver Collins Jr., who chairs the American Road and Transportation Builders Association (ARTBA), told delegates to the International Bridge, Tunnel and Turnpike Association the United States should allow toll facilities to "play an increasingly larger role in financing."

ARTBA also is calling on Congress to "finance a beefed-up federal bridge program by drawing down on the $10.4-billion Highway Trust Fund balance by $2 billion per year for five years," Collins added.

Combining these funds with existing federal-aid allotments and matching funds from the states "could bring almost every U.S. bridge up to standard before the turn of the century," Collins said. He emphasized tolls were a significant solution to the bridge-maintenance problem.

City Managers Meet in Montreal

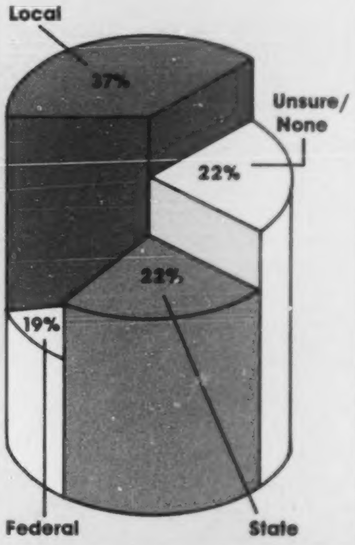
Osmond Bonsey, town manager of Yarmouth, Maine, was elected president of the International City Management Association (ICMA) when the group held its annual conference in Montreal. More than 3,000 delegates attended the conference.

Bonsey was appointed town manager in 1979 and previously served as executive director of the Greater Portland (Maine) Council of Governments. Elected to the ICMA Executive Board as regional vice presidents for two-year terms were: William Woollett Jr., city manager, Irvine, Calif.; Eric Anderson, city manager, Eau Claire, Wis.; Louis Fox, city manager, San Antonio, Texas; Thomas Downs, city administrator, Washington; Robert Noe Jr., county executive, Prince William County, Va.; John Gray, general manager and town clerk, Christchurch, New Zealand; and Peter Vargas, assistant city manager, Englewood, Colo.

SURVEY SPOTLIGHT

Gaining the People's Trust

According to a survey for the Advisory Commission on Intergovernmental Relations conducted by Gallup, people have more trust and confidence in local government than state or federal governments.



The Montreal conference featured seminars on various aspects of government management, including privatization, emergency preparedness, personnel concerns, financing and infrastructure repair. Nearly 100 companies exhibited products and services in the Palais de Congress.

Several ICMA awards were presented at the conference. James Smith, city manager of Concord, N.H., received the Mark E. Keane Award for Excellence; Garden City, Ga., and former city manager Robert Schwartz, and Arcata, Calif., and City Manager Rory Robinson each won an Award for Program Excellence for communities with populations under 20,000; Redondo Beach, Calif., and City Manager Timothy Casey, Lawndale, Calif., and City Manager Paul Philips, Englewood, Colo., and City Manager Andrew McCown, and Littleton, Colo., and former city manager Gale Christy won Awards for Program Excellence for communities with populations of 20,000 or greater; Paul Steinbrenner, city manager of West Palm Beach, Fla., was honored with the L.P. Cookingham Career Development Award; and Lynn Anderson, dean emeritus of the Fels Institute of State and Local Government at the University of Pennsylvania, received the Stephen B. Sweeney Academic Award.

— Ken Anderberg

NORTHEAST

Satellites Help Plot Amherst Bicycle Path

Prompted by health-conscious citizens, many municipalities in the Northeast are converting railroad beds, horse trails along former barge canals and rural roads into bicycle paths. Following the success of a bike path constructed on Cape Cod, Massachusetts officials looked for other land to build similar recreational facilities. Two years ago, the state Department of Environmental Management purchased the right-of-way of the former Conrail railroad bed that winds through several communities in western Massachusetts.

A $4-million project will connect existing trails that start in Amherst, Mass., wind through Hadley and end 9 miles later in Northampton. Along the way, the path circumvents heavy traffic on Routes 9 and 116, and connects five area colleges.

The trail is surrounded by forests and crosses several bridges, and figuring exact bearings in such terrain is difficult and time-consuming. C.T. Male Associates, Latham, N.Y., an engineering and surveying consulting firm, used a technique relying on signals from satellites orbiting the Earth to pinpoint the exact location and length of the bike trail. Unfortunately for the crew from

MUNICIPAL COST INDEXES

Three of the four cost indexes saw slight increases over last month's figures, with both the **Municipal Cost Index** and the **Construction Cost Index** rising 0.2 percent. This month's Municipal Cost Index reading of 352.5 marks the 14th consecutive month the figure has risen. The **Consumer Price Index** showed the most increase from November, a 0.5-percent jump from 342.7 to 344.4, while the **Producer Price Index** showed no gain over last month.

Portland cement gained from last month's 346.6 to 346.9. Concrete products dropped slightly, while asphalt roofing jumped 0.7 percent. Gypsum products dropped 1.7 percent from November, from 308.6 to 303.5.

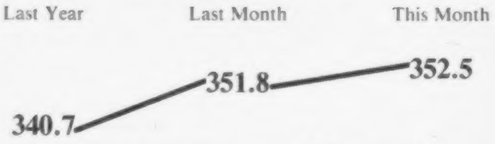
— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	150.4	0.2	0.8
Apparel	188.7	0.4	1.8
Asphalt Roofing	372.7	0.7	−3.1
Chemicals, Industrial	335.7	−0.1	5.9
Coal	512.8	−0.5	−4.6
Concrete Products	325.8	−0.2	0.3
Construction Machinery	375.8	0.1	2.4
Diesel Fuel	458.6	−3.4	27.1
Electric Components	202.1	−0.8	−0.4
Electric Lamps	352.9	−0.1	1.8
Electric Power	465.3	0	−0.3
Engines, I.C.	358.4	−0.3	2.0
Fans, Blowers	371.2	−0.1	1.5
Fertilizers, Mixed	263.0	2.2	5.4
Floor Coverings	200.6	0	2.1
Flow Instruments	240.5	−0.2	1.4
Footwear	271.9	0.6	3.7
Foundry Products	366.1	0.2	1.2
Fuel Oil No. 2	464.7	−6.0	18.0
Furniture	261.1	0.4	2.9
Gasoline	408.7	−4.8	20.7
Generator Sets	359.8	0.7	1.9
Glass	238.3	0	2.5
Glass Containers	401.3	−0.2	−0.2
Gypsum Products	303.5	−1.7	−11.0
Hardware	307.7	0.2	0.5
Heating Equipment	273.3	−0.4	1.6
HVAC Controls	131.3	0	0
LP Gas	387.7	4.6	31.0
Lubricants	343.7	−0.4	−4.0
Lumber	338.9	1.2	8.5
Metal Fabrications	323.4	0.6	2.3
Millwork	332.8	0.2	3.5
Motor Vehicle Parts	367.1	0	2.6
Mowers	267.0	−0.1	1.2
Natural Gas	1074.4	0.5	−0.4
Office Machines	159.7	0.4	3.2
Paint	329.4	−1.6	5.1
Paper	321.4	0.6	4.1
Passenger Cars	229.5	−2.2	4.2
Plumbing Fixtures	335.7	0.6	3.7
Plywood	249.1	4.4	5.6
Portland Cement	346.9	0.1	−1.3
Residual Fuel	646.6	−10.4	54.3
Sand, Gravel	329.9	0.1	3.4
Sanitary Papers	388.9	0.7	1.4
Soaps, Detergents	278.3	0.2	2.8
Sporting Goods	209.9	−0.2	1.3
Steel Mill Products	357.4	0.7	2.0
Struc. Clay Products	318.6	−0.3	2.8
Switchgear	292.1	0.5	2.3
Tires, Tubes	232.2	−0.1	−0.5
Transformers	240.6	0.2	2.6
Trucks	335.9	−2.6	0.2
Valves	108.9	0.9	1.6
Wire, Cable	221.4	1.7	7.5
Wiring Devices	385.9	−0.2	2.1

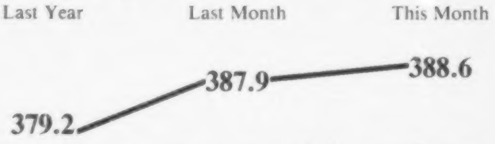
At-A-Glance Changes

MUNICIPAL COST INDEX



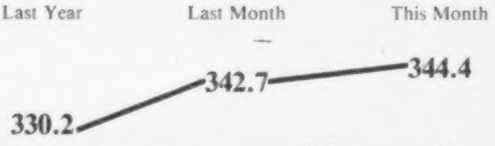
Percent Change From Last: Month **0.2** Year **3.5**

CONSTRUCTION COST INDEX



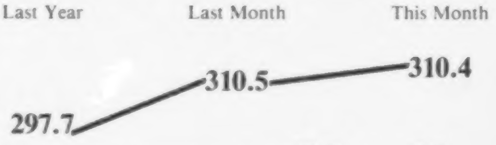
Percent Change From Last: Month **0.2** Year **2.5**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.5** Year **4.3**

PRODUCER PRICE INDEX (BLS)



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Zoning and the Law • Productive Sc

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Reducing Groundwater Contaminants

How LOW?

AMERICAN CITY & COUNTY®

January 1988 Vol. 103, No. 1

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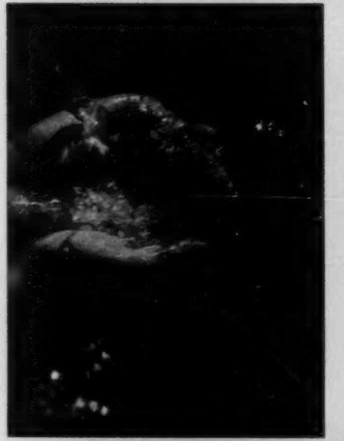
Cover photography by Jerry Hoy/Double Vision, Atlanta



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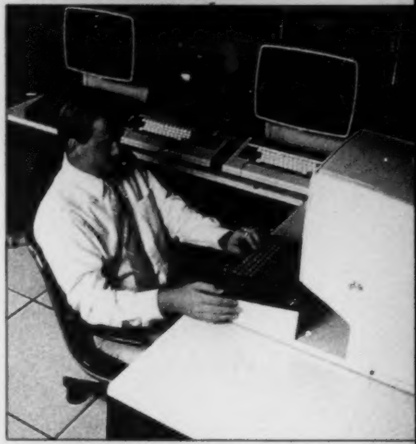

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EDITOR'S VIEW

New Concerns for an Old Problem

How clean is clean? How low should you go in eliminating contaminants in drinking water? Those are difficult questions for today's water-works professional, and for that person's supervisors up the decision-making chain. Providing the purest possible drinking water for the general public was a concern of *American City & County* readers 70 years ago as well, although then typhoid and other contagious diseases were the main problem, not contaminants called volatile organic compounds measured in parts per billion.

World war was the big news in January 1918 and *The American City* that month focused on how cities were helping the war effort. Water concerns then centered not so much on quality (that changed dramatically in the early 1920s — more later) but on conservation. "Save Coal By Reducing Water Consumption," one headline read that January.

Coal was needed to keep the factories going, churning out weapons and supplies for the boys overseas. Lower water consumption meant less coal used for purification. One way to reduce water use was by monitoring it with meters, a method touted in this magazine. "The great source of saving in every case seems to be the installation of meters, so that the householder may know how much water he uses and may realize that he is wasteful, and therefore will start a conservation program in his own house."

Water supply was big business in those days, much as it is today. Advertisements in *The American City* extolled the virtues of meters, valves, pipes, trucks and other related equipment. Ford Meter Box of Wabash, Ind., claimed "Jack Frost can't damage this meter," and The Chapman Valve Manufacturing Co. of Indian Orchard, Mass., sold "Everything for water works and sewage disposal but the pipe."

Pipe suppliers were plentiful in these pages. There was U.S. Cast Iron Pipe and Foundry ("The pipe that outlasts the ages."), then of Burlington, N.J., Central Foundry Co. of New York, Lynchburg Foundry of Chicago, and American Cast Iron Pipe of Birmingham, Ala. Wooden pipes also were popular at the time, some made of redwood, and used as sluiceways for hydroelectric facilities.

Meter advertisements were plentiful, including Buffalo Meter, Pittsburgh Meter, Union Water Meter of Worcester, Mass., and, of course, Badger Meter of Milwaukee and Neptune Meter, then of New York. Badger ads plugged "The meter that gives absolute satisfaction," while Neptune promoted its Trident meters as fuel conservers.

Other ads touted drinking-water fountains (The Casey Hedges Co. of Chattanooga, Tenn.), chlorine (Wallace & Tiernan of New York), and flowmeters (The Pitometer Co. of New York — "Buffalo Saves $3,000 a Month In Fuel By Stopping Water Waste").

Within three years, the emphasis had changed from conservation to purification. As one article stated, "The persons immediately responsible for the operation of water purification works should stop to ponder over the fact that they are depended upon to protect the lives and health of their consumers and that if they fail it is as though they took deliberate steps to bring physical injury on their consumers."

All of this to say providing safe and pure drinking water always has been a prime responsibility of local government. Today, the emphasis is changed. Typhoid has been eradicated in U.S. water systems, with today's problems requiring far-more advanced technology to eliminate cancer-causing compounds measured in parts per billion. Soon, laboratory techniques may result in requirements to reduce these contaminants in terms of parts per trillion.

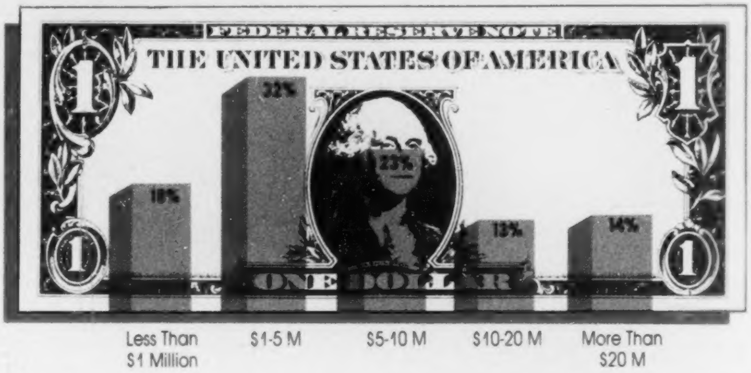
What does this increasing preciseness mean to water-works officials and local-government policy makers? Is there an economic dividing line, whereby a tradeoff in future cancer deaths is made instead of going to the next, more expensive treatment technology? These are tough decisions for today's public officials and are the focus of this month's cover story.

When *American City & County* and Hydro Group brought together 18 water-supply experts during the Water Pollution Control Federation's annual conference for a roundtable discussion of groundwater contamination, the conversation centered around these questions. There was no consensus among the participants, although the general feeling seemed to be that we have to consider the economic implications of ever-more finite testing capabilities and the resulting lower standards for contaminants. We can clean the water to whatever standards are set, although perhaps not to zero, the group concurred. But is the cost worth the result? ☐

— Ken Anderberg

SURVEY SPOTLIGHT

In total dollars, how much will you need to construct new infrastructure facilities?



*Percent of communities surveyed. Base = 211

SOURCE: *AC&C* Survey of Issues and Trends

have lost population and new development to surrounding suburbs might consider the Pittsburgh tax system. "It may depend on the circumstances of the individual city," Bourassa says, "but it appears to be effective in encouraging development in large, older cities like Pittsburgh."

Consulting Engineers Face Record Lawsuits

Claims brought against consulting engineering firms increased by 39 percent in 1987, but nearly 40 percent were settled without any payment to the claimant, according to the results of the American Consulting Engineers Council's (ACEC) ninth annual professional liability insurance survey.

ACEC estimates its 5,000 member firms paid nearly $250 million for professional liability insurance in 1987, but the dramatic and continuing increase in "frivolous suits is almost as heavy a burden for member firms," according to Bob Fogle, ACEC's director of liability issues. "The cost of settling claims is nearly as much of an economic hardship as paying the premiums," he says.

The survey also indicates preparation and defense costs can be sizable. The average claim costs a firm $8,200 to defend under the deductible and a firm expends 136 hours in personnel time per claim. Even in frivolous suits — those dismissed or settled with no payment to the claimant — firms paid an average of $6,800 in defense costs and wasted 166 hours of employee time per claim in 1987. "Time is money in the engineering profession," Fogle says. "Those wasted hours might otherwise be billable. Frivolous suits sap a firm of profits."

Government Projects Receive Ford Grants

Ten imaginative state and city government projects, covering a broad range of issues from wastewater treatment to prison reform, were named winners in the Innovations in State and Local Government Awards program, sponsored by the Ford Foundation, New York, and the John F. Kennedy School of Government at Harvard University. Winners receive a $100,000 grant from the foundation to strengthen and replicate the programs.

The winners include: Arcata, Calif., for its integrated wetland-enhancement and salmon-ranching program; Georgia for its state penal plan; Illinois' "Parents Too Soon" program, started to reduce the incidence and mitigate the adverse consequences of teen pregnancy; Duluth, Minn., for its domestic-abuse intervention program; St. Louis for a homeless-services network and its "Parents As Teachers" program; and New York City's Nova Ancora project, which creates jobs for unskilled probationers in small businesses and light industry.

Other winners are: North Carolina for the Open Public Events Network, which includes live television interviews and state-government hearings; Dallas' "Vision Through Diversity" program, which improves access to recreational programs for the disabled, minorities and low-income families; and Fort Worth, Texas, for a water-pollution control plan that measures pollution in runoff from the city's storm drains.

"Clearly, many of the most imaginative government initiatives are coming from the state and local jurisdictions," says Franklin Thomas, president of the Ford Foundation. "The projects and individuals we have honored are dealing with some of society's toughest and most intransigent issues in ways that are truly new."

Drinking Water Group To Meet

The Association of State Drinking Water Administrators (ASDWA) will conduct its annual conference Feb. 22-25 in Charleston, S.C. The theme of the program is "Challenges of SDWA Implementation." Lee Thomas, administrator of the U.S. Environmental Protection Agency, is scheduled to give the keynote address.

More than 30 technical sessions are included in the preliminary program. Sessions will cover risk management and communications, status of the Safe Drinking Water Act's implementation, the growing importance of monitoring, analytical methods and laboratory certification, and state initiatives.

For more information, contact ASDWA, 1911 N. Fort Myer Drive, Arlington, Va. 22209, (703) 524-2428.

NORTHEAST

Fall River Refurbishes Public-Housing Project

By 1985, the William Street Apartments in Fall River, Mass., faced problems similar to many other public-housing projects built in the early 1970s. Although fast, economical construction solved an immediate need for public housing, water leakage and air-infiltration problems began soon after the building was finished.

"The building was designed around a reinforced-concrete platform system," recalls architect Irven Goodman. "Leaking at the floor slabs made some of the apartments uninhabitable. The problem was worsened by the fact the building sits off the Taunton River, subjecting it to heavy winds and rains."

Goodman and the Fall River Housing Authority (FRHA) considered several exterior insulation and finish systems, finally opting for a hard finish system from Insul/Crete Co., Madison, Wis., which is associated with Dow Chemical Co.

"We were looking for a system that would act as a 'raincoat' for the building," says Goodman. Since the building previously was uninsulated, thermal performance also was important. A double-coated, reinforced fiberglass mesh was installed directly over the insulation. The contractor then troweled on a base coat of polymer-modified

MUNICIPAL COST INDEXES

Three of the four monthly increases showed gains from December, with the **Consumer Price Index** and the **Producer Price Index** jumping 0.3 percent. The **Municipal Cost Index** saw a 0.1-percent gain, marking 15 consecutive months the index has risen. The **Construction Cost Index** began 1988 with a 0.2-percent drop from last month's 388.6.

HVAC controls read 131.7, a 0.3-percent increase over December, while fans saw a 0.3-percent drop. Flow instruments increased 0.2 percent since last month, to 241.0, and transformers entered the new year at 240.3.

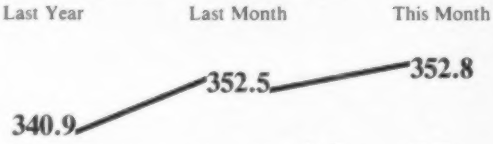
— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	150.8	0.3	1.1
Apparel	217.9	0.6	−0.5
Asphalt Roofing	378.6	1.6	−0.6
Chemicals, Industrial	340.8	1.5	7.2
Coal	511.4	−0.3	−4.8
Concrete Products	326.1	0.1	0.5
Construction Machinery	375.8	0	2.4
Diesel Fuel	477.0	4.0	42.3
Electric Components	202.9	0.4	0
Electric Lamps	351.7	0.3	1.2
Electric Power	449.0	−3.5	−0.5
Engines, I.C.	359.4	0.3	1.6
Fans, Blowers	368.3	−0.8	−0.1
Fertilizers, Mixed	269.4	2.4	9.0
Floor Coverings	201.6	0.5	2.1
Flow Instruments	241.0	0.2	1.6
Footwear	271.8	0	3.2
Foundry Products	366.8	0.2	1.4
Fuel Oil No. 2	489.6	5.4	33.4
Furniture	329.3	0.4	2.9
Gasoline	402.3	−1.6	29.4
Generator Sets	361.8	0.6	2.6
Glass	241.0	1.1	3.7
Glass Containers	401.3	0	0.2
Gypsum Products	306.0	0.8	−10.8
Hardware	308.6	0	3.9
Heating Equipment	274.5	0.4	1.3
HVAC Controls	131.7	0.3	−0.2
LP Gas	372.1	−4.0	19.1
Lubricants	349.2	1.6	−2.0
Lumber	379.6	−4.2	8.5
Metal Fabrications	326.2	0.9	3.4
Millwork	334.2	0.4	4.4
Motor Vehicle Parts	361.8	0.6	2.6
Mowers	267.0	−0.1	1.1
Natural Gas	1045.6	−2.7	−3.9
Office Machines	159.9	0.1	3.2
Paint	334.7	1.6	8.2
Paper	324.9	1.1	4.7
Passenger Cars	251.7	9.7	0.8
Plumbing Fixtures	335.6	0	3.9
Plywood	242.7	−2.6	2.6
Portland Cement	347.0	0	−1.3
Residual Fuel	612.7	−5.2	35.1
Sand, Gravel	330.1	0.1	3.4
Sanitary Papers	388.5	−0.1	1.3
Soaps, Detergents	279.7	0.5	1.8
Sporting Goods	210.9	0.5	1.6
Steel Mill Products	366.2	2.5	4.4
Struc. Clay Products	319.6	0.3	2.5
Switchgear	291.3	−0.3	1.8
Tires, Tubes	232.8	0.3	−0.3
Transformers	240.3	−0.1	2.8
Trucks	334.8	−0.3	−3.5
Valves	109.5	0.6	2.0
Wire, Cable	223.0	0.7	8.4
Wiring Devices	388.7	0.7	2.7

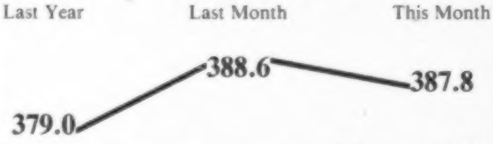
At-A-Glance Changes

MUNICIPAL COST INDEX



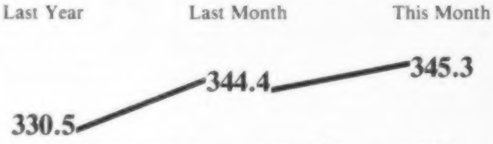
Percent Change From Last: Month **0.1** Year **3.5**

CONSTRUCTION COST INDEX



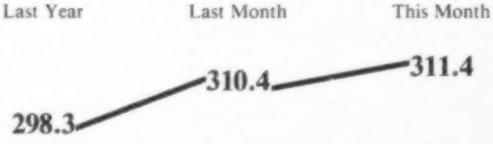
Percent Change From Last: Month **−0.2** Year **2.3**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.3** Year **4.7**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.3** Year **4.4**

These figures are calculated on a base year of 1967.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	634.8B	.9	7.8
Federal Grants	104.1B	6.6	−10.9
Durable Purchases	23.6B	3.1	9.8
Consumables	37.6B	2.7	−6.0
Services	387.4B	2.3	8.0
Structures	64.6B	−2.7	16.2
Salaries, Wages	309.8B	2.3	6.0
Surplus	59.4B	−7.7	1.0
Employment	13.999M	−.4	2.7

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February 1988 Vol. 103, No. 2

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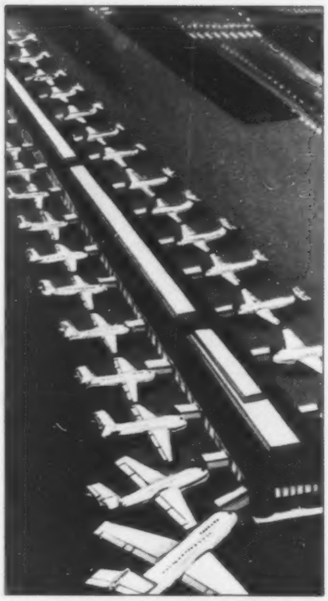
Cover photography by Terri Teague & Associates, Atlanta



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EDITOR'S VIEW

NIMBY Home To Roost

One year ago, my wife and I purchased a new home in a suburb north of Atlanta, the small (population 5,000) city of Alpharetta. Like many of the communities outside Atlanta's city limits, Alpharetta is taking on residents like the United States takes on debt. Rush-hour traffic has at least doubled in the last 12 months. Fast-food restaurants, office buildings, shopping strips and 24-hour supermarkets are going up at a breakneck pace, pushing out the mom-and-pop groceries, the small-town atmosphere and the forest land.

And now, NIMBY has come home to roost.

Fulton County's main sanitary landfill will close this year. Located approximately halfway between Alpharetta and the State Capitol building in downtown Atlanta, the Morgan Falls landfill will reach capacity in the spring, with a public golf driving range possibly being built on the site. Shopping areas, new businesses and housing all have sprouted up around that site in recent years.

Now the county wants to site a new landfill, and the chosen location is nearly in my backyard. The NIMBY syndrome — Not In My Back Yard — has struck with full force in Alpharetta.

Posters and leaflets were everywhere last December when the state scheduled two public hearings in Alpharetta to discuss the site proposal. "We Can Stop the Dump," they broadcast. "A garbage dump will poison the environment," the flyers said, "pollute streams and wells; breed rats, flies, mosquitoes, birds and wild dogs; foul the air for miles; produce poisonous fumes and gases; devastate a 460-acre forest; threaten public health with cancer-causing chemicals; crowd roads with 400 garbage and trash trucks daily; wipe out property values; ruin quality of life for young and old; restrict future development."

The exaggerations really can take hold with an emotional issue such as siting a landfill. Minor concerns can be magnified tremendously by a frightened and uninformed public, unaware of current landfill protections and environmental requirements. Quite frankly, landfill practices of the past have been dangerous, but that is not the case with today's new landfills.

Opposition at the hearings focused on the potential damage to drinking-water supplies in the area, where many homeowners get their water from groundwater sources. Landfill liners and leachate-collection and monitoring systems are not enough to salve the ire of residents who see a landfill about to be dumped in their neighborhood.

But hidden among all the objections, and truthfully at the core of my dilemma (as well, I'm sure, with the majority of those who oppose the landfill) is the real crux of the debate — property values and future development. The old landfill at Morgan Falls had none of today's environmental protections. Sitting within a quarter mile of the Chattahoochee River, that landfill likely is contaminating Atlanta's water supply. Rats and birds have been there for years, but right alongside is a large youth sports complex, with football and soccer fields. People fish for trout in the river a holler away; new offices and apartments are being leased across the street; property values are high.

Nine hundred concerned and angry residents turned out for the first public hearing, jamming the local high school's gymnasium. They spoke vociferously against the new landfill, citing the dangers to water supplies.

While the turnout at the second hearing did not equal the first, the opposition was just as adamant. Residents, and even some local officials, urged the state to look at alternatives to the landfill. "A landfill is the easy way out," said Alpharetta City Councilor Sandra Thompson. "There are other ways to dispose of solid waste, and they cost a little more. But as a taxpayer, I would like to be given the opportunity of deciding whether I want to pay that bill."

What was not emphasized, however, was the fear of plummeting property values in one of the county's prime growth areas. It's a tough call — for citizens and public officials. No one wants a landfill in their neighborhood, but it must go somewhere. Like the now-famous garbage barge, the landfill has to find a home.

I suspect that, in the end, the citizens of Alpharetta and north Fulton County will have their way. When organized, the public can wield a great deal of clout. Then there will be another site chosen and another angry gathering of citizens at another public hearing. It's a tough call, and I'm still on the fence. ☐

— Ken Anderberg

Explaining the Municipal Cost Indexes

Readers continually ask how *American City & County* compiles its exclusive cost estimates for products and services purchased by local governments — the "Municipal Cost Indexes" published on the last page of every issue. This article is being reprinted from a previous issue to give readers a better understanding of those calculations.

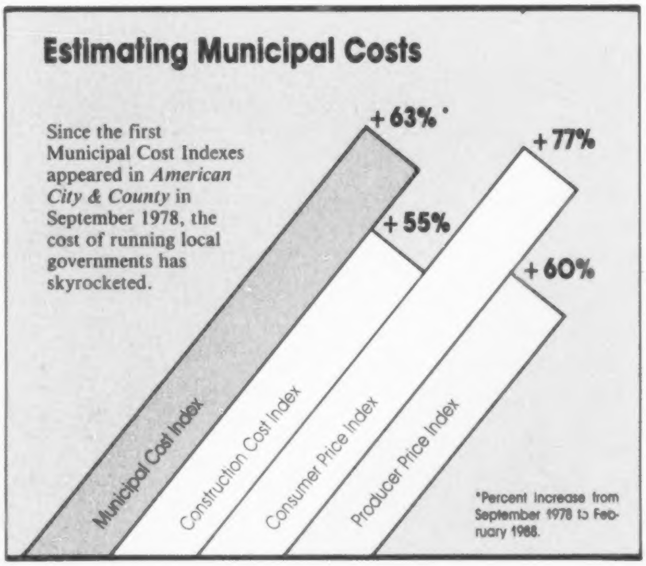
When relative prices for goods and services are changing, there is no such thing as a perfect price index. While a statistical index will understate the costs for some, it may overstate costs for others. The index, however, can represent a yardstick by which locally developed indexes and budget forecasts can be measured.

The Municipal Cost Index is adjusted by changes in the cost of materials and supplies, wages and contracted-for services. The index is based on monthly statistical data collected by the U.S. Department of Labor and the U.S. Department of Commerce, as well as independent sources in the building and construction fields.

The index is a weighted average of the more detailed accompanying price indexes measuring construction-contract costs, consumer-cost fluctuations and industrial-commodity wholesale prices. The weighted factors are designed specifically for *American City & County* readers, and reflect the composition of local-government purchases and services.

The data are used to project a composite picture for the local budget or finance director, along with the operating or purchasing department manager, of how municipal and county services and costs are faring for the month — with a comparison to the previous month and year.

Estimating Municipal Costs



Since the first Municipal Cost Indexes appeared in *American City & County* in September 1978, the cost of running local governments has skyrocketed.

*Percent increase from September 1978 to February 1988.

The Construction Cost Index is the largest segment of the Municipal Cost Index, since contract services account for nearly 30 percent of local-government treasuries. The most significant portion of this cost is the amount spent on capital construction projects. This index reflects the changes in the cost of materials, and skilled and unskilled labor in both the general-construction and building-construction markets. The index is not seasonally adjusted. This is a key point because labor can play an important role in changing the calculated index — if it were accounted for on a seasonally adjusted basis. The Construction Cost Index includes the data most reflecting the types of construction expected in the municipal market.

Figures from the U.S. Department of Commerce and other sources are used to compile the Construction Cost Index. The Commerce Department's data reflect the ratio of the annual value of new construction in current dollars, to the comparable value of new construction in 1977 dollars. *American City & County* makes the dollar change to 1967 dollars, so all indexes are based on the 1967 dollar. The Commerce Department uses construction put-in-place estimates by type of construction to weigh appropriate special and general-purpose construction costs, in addition to contractor prices.

The Consumer Price Index is used to measure the upward pressure expected on municipal wage rates and inflation. The index is a statistical measure of the price change of goods and services in major expenditure groups such as clothing, health, housing, food, recreation and transportation for all urban consumers. The index measures the purchasing power of the consumer dollar by comparing the cost of a "market basket" of goods and services. The index uses the Department of Labor's All-Urban Consumers Price Index, which measures a list of items representative of a typical all-urban household budget.

The Producer Price Index is used to measure the cost fluctuations of goods and materials, since purchases of goods and materials account for nearly 20 percent of a local government's budget. The index is designed to show the rate and direction of price movement for individual commodities and commodity groupings. The index measures "real" price changes — changes not influenced by differences in quality, quantity or terms of sale.

All systematic production of goods and materials are included in the index for industrial commodities, except for agricultural products and food. Items that are so individualistic in nature, as to be priced separately, are not included.

Also featured is a section titled Quarterly Municipal Trends. These data outline changes in local-government receipts, federal grants-in-aid, durable purchases, consumable purchases, services, structures, wages, budget surplus or deficit, and employment. These trend items can let finance and budget officers know how they compare with other local governments each quarter.

These indexes help dramatize, justify or illustrate increased governmental expenditures attributable to inflation when submitting annual budgets for review. They also provide information about price trends, which may affect a city, county, state or individual department, allowing time to minimize the effects of a budget shortfall or deficit.

With state and local expenditures increasing, and federal aid declining, local governments have to find innovative ways to either finance their operations or control costs. The Municipal Cost Indexes can help provide the necessary information to keep local-government budgets up-to-date on changes in the construction market and industrial commodities, while keeping a watchful eye on inflation.

Although no single price index will provide inflation relief to every local government in the nation, the *American City & County* Municipal Cost Indexes can provide a yardstick by which locally developed indexes and forecasts can be gauged. □

Candidates Snub League of Cities

America's city officials were steaming in Las Vegas, Nev., when only two presidential candidates showed their hands at the National League of Cities (NLC) 64th annual Congress of Cities. The snub, however, only served to raise the ante in the eyes of NLC officers. "Not one shred of political help should be given by local-government officials to anyone running for Congress, or who wants to grow up and be president," said outgoing NLC President Cathy Reynolds, "until there is a commitment on that candidate's part to address the issues that are central to your communities. And that means flat out telling these campaigns that your support is contingent on those issues being dealt with."

Jackson

Reynolds, who serves on the Denver City Council, added, "To the presidential candidates who didn't choose to join us, you missed a great opportunity. Don't think we are through bothering you. One of you is likely to be president, and we are going to do everything in the power of 5,000 elected local officials to make sure that the day you take office you are going to understand local government. We are going to keep calling, writing and visiting you to make sure of it. And we are going to make your views on our cities and towns known."

Democratic candidates Jesse Jackson and Gov. Michael Dukakis of Massachusetts did attend the conference to speak before the more than 8,000 attendees. Jackson pledged to fight for federal aid for urban programs to improve infrastructure systems and reduce poverty and homelessness. He cited areas in the current federal budget where significant reductions could be made to reduce deficits, such as streamlined military spending, while also calling for "fairer" taxation policies and the use of public pension funds to "invest in America."

Dukakis told city officials tax increases may be necessary to reduce federal deficits. He called also for reductions in the military budget and the implementation of national health insurance. "We have to get serious about deficit reduction," Dukakis said. "I won't rule out tax increases. I don't think any serious candidate can."

In her report as NLC president, Reynolds outlined the organization's top priorities for 1988, including the reauthorization of federal housing and community-development programs, Clean Air Act reauthorization, tax legislation and welfare reform.

"It is time, and it is possible," Reynolds said, "to stop disinvestment in America. It is time to focus our resources on the future of this country. As a nation, we can be no stronger than our communities, and communities are only as strong as their ability to raise strong, healthy, productive people."

Investing in America's communities was the underlying emphasis of the conference's many seminars and general sessions. Overflow crowds packed meeting rooms for discussions on housing, zoning and liability issues, as well. Other sessions focused on economic development, infrastructure, waste disposal, financing, substance abuse, municipal management and intergovernmental cooperation.

"State and local governments are being forced to talk to each other," said John Shannon, executive director of the Advisory Commission on Intergovernmental Relations, during a seminar on "State Innovations in Assisting Local Governments."

"States should give local governments more discretion in raising revenue," said Dawn Clark Netsch at the same meeting. The Illinois state senator and chair of the State-Local Task Force of the National Conference of State Legislatures added, "States should assist locals with technological assistance and user charge programs. The property-tax system should be improved, including value-assessment procedures. States should review mandates on local government, eliminating or relaxing some."

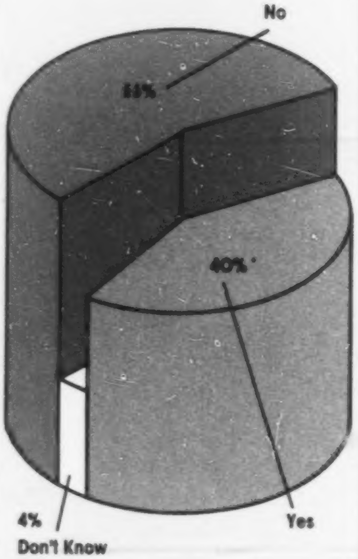
Netsch said other priorities formulated by the task force include re-evaluating responsibilities for each level of government, reviewing formulas for state aid, and searching for low-cost methods of assistance. "State legislators should place a higher priority on state-local issues and treat local governments as partners," she said.

On the congress' last day, Reynolds passed the leadership gavel to Portland, Maine, City Councilor Pam Plumb. Mayor Terry Goddard of Phoenix, Ariz., was named first vice president. Two President's Awards were presented at the conference, to retiring Milwaukee Mayor Henry Maier and long-time Gary, Ind., Mayor Richard Hatcher.

— *Ken Anderberg*

SURVEY SPOTLIGHT

Is your community considering consolidation of any services with other cities and counties?



*Percent of communities surveyed. Base = 211
SOURCE: AC&C Survey of Issues and Trends

Hazwaste Revenues Expected To Grow

Consultants from Arthur D. Little Inc. are predicting revenues of hazardous-waste treatment and disposal companies will reach $10 billion in 1995 from $2 to $2.3 billion in 1986. The consultants also say American industry will spend more money on professional management of its hazardous wastes off-site, motivated by the fact that untreated hazardous-waste disposal carries long-term liabilities.

The consultants, Lee Fox and Fred Iannazzi, base their research on the future prospects of eight waste-management companies accounting for the major share of income in the landfill, incineration and aqueous-treatment segments of the disposal industry.

Fox and Iannazzi predict increasing profitability for companies owning landfills, including American Ecology, Browning-Ferris, Chemical Waste Management, International Technology and

MUNICIPAL COST INDEXES

The **Municipal Cost Index** rose to 354.1 this month, a 0.4-percent increase from January. The index now has risen for 15 consecutive months. The **Construction Cost Index** rose 0.6 percent, after a slight decline last month. Both the **Consumer Price Index** and the **Producer Price Index** saw increases of 0.1 percent and 0.2 percent, respectively, with the Consumer Price Index increasing the most over last year, 4.5 percent.

Mixed fertilizers dropped 0.2 percent, to 268.9, while concrete products increased the same amount. Fuel oil no. 2 saw the greatest gain of any item from January, a 3.6-percent increase to 507.1. Diesel fuel has risen 43.6 percent since February 1987.

— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Percent Change From: Last Year
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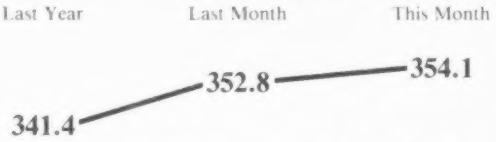
Concrete Products	326.7	0.2	0.7
Construction Machinery	376.2	0.1	1.8
Diesel Fuel	488.2	2.3	43.6
Electric Components	203.4	0.2	0.2
Electric Lamps	352.4	0.2	1.6
Electric Power	445.0	−0.9	−0.7
Engines, I.C.	360.0	0.2	1.8
Fans, Blowers	371.5	0.9	0.7
Fertilizers, Mixed	268.9	−0.2	9.3
Floor Coverings	203.0	0.7	2.6
Flow Instruments	242.4	0.6	2.0
Footwear	270.0	−0.7	2.5
Foundry Products	368.0	0.3	1.7
Fuel Oil No. 2	507.1	3.6	37.7
Furniture	329.6	0.1	2.5
Gasoline	406.5	1.0	30.5
Generator Sets	361.9	0	2.7
Glass	240.6	−0.2	3.2
Glass Containers	401.3	0	0.1
Gypsum Products	305.6	−0.1	−12.9
Hardware	309.4	0.3	1.5
Heating Equipment	281.5	2.6	3.7
HVAC Controls	132.2	0.4	0.6
LP Gas	376.8	1.3	26.1
Lubricants	350.1	0.3	−0.2
Lumber	344.2	0.9	9.2
Metal Fabrications	327.4	0.4	3.2
Millwork	334.2	0	4.8
Motor Vehicle Parts	367.4	−0.1	2.6
Mowers	267.1	0	1.1
Natural Gas	1011.8	−3.2	−8.6
Office Machines	159.9	−0.3	2.8
Paint	335.6	0.3	8.2
Paper	327.1	0.7	4.6
Passenger Cars	246.1	−2.2	−1.2
Plumbing Fixtures	337.7	0.6	4.6
Plywood	245.7	1.2	4.5
Portland Cement	346.6	−0.1	−0.6
Residual Fuel	623.9	1.8	38.4
Sand, Gravel	330.1	0	2.6
Sanitary Papers	388.6	0	1.7
Soaps, Detergents	281.2	0.5	3.4
Sporting Goods	211.3	0.2	2.0
Steel Mill Products	368.3	0.6	5.3
Struc. Clay Products	319.8	0.1	3.4
Switchgear	291.2	0	1.9
Tires, Tubes	232.8	0	0.6
Transformers	240.6	0.1	1.4
Trucks	335.3	0.1	−3.4
Valves	109.8	0.3	2.2
Wire, Cable	228.2	2.3	11.2
Wiring Devices	389.8	0.3	2.7

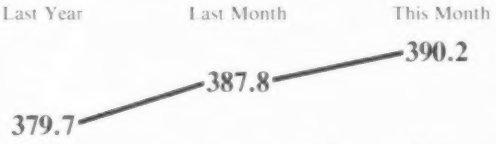
At-A-Glance Changes

MUNICIPAL COST INDEX



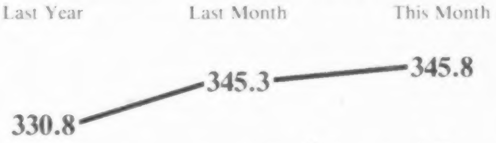
Percent Change From Last: Month **0.4** Year **3.7**

CONSTRUCTION COST INDEX



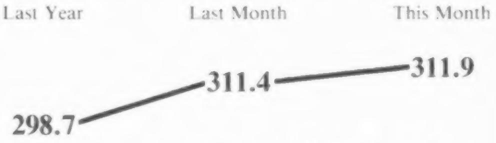
Percent Change From Last: Month **0.6** Year **2.7**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.1** Year **4.5**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.2** Year **4.4**

These figures are calculated on a base year of 1967.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Percent Change From: Last Year
Receipts	634.8B	.9	7.8
Federal Grants	104.1B	6.6	−10.9
Durable Purchases	23.6B	3.1	9.8
Consumables	37.6B	2.7	−6.0
Services	387.4B	2.3	8.0
Structures	64.6B	−2.7	16.2
Salaries, Wages	309.8B	2.3	6.0
Surplus	59.4B	−7.7	1.0
Employment	13.999M	−.4	2.7

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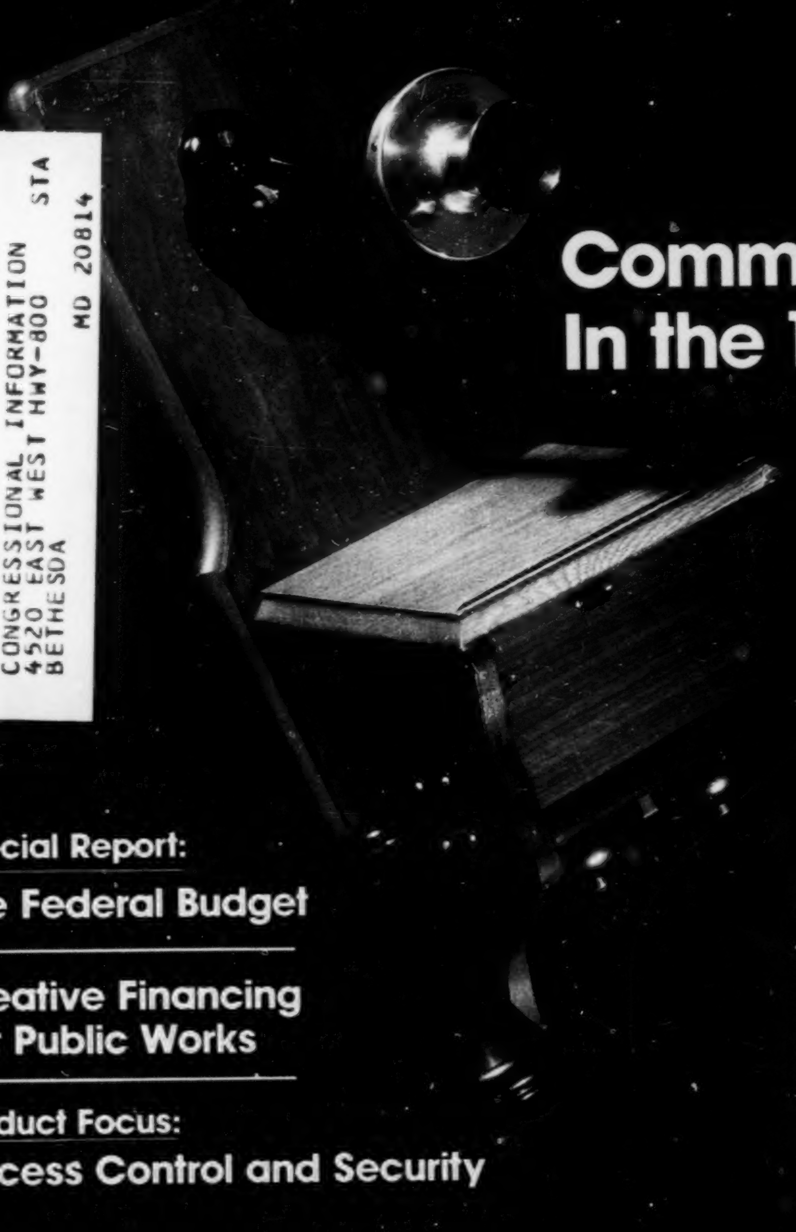
MARCH 1988

AMERICAN CITY & COUNTY



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Communicating In the 1990s

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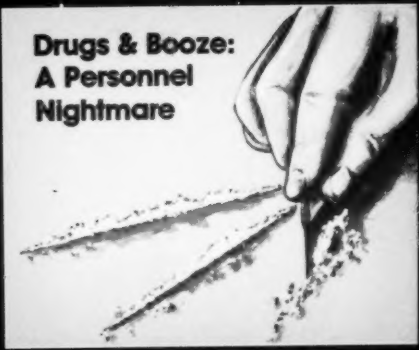

Drugs & Booze: A Personnel Nightmare

AMERICAN CITY & COUNTY®

March 1988 Vol. 103, No. 3

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Cover photography by Sam Turner, Atlanta
Telephone courtesy of the Southern Bell Telephone and Telegraph Museum
Inset illustration by Brian Buxton

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EDITOR'S VIEW

Confronting Substance Abuse

During the many hours three *American City & County* editors spent conducting a nationwide survey on substance abuse among local-government employees, for a two-part series beginning in this issue and concluding next month, two cities stand out for their uniqueness. For it was those two cities alone, out of 100 interviews with officials in communities of various sizes and geographic locations, where the answer to our question was, "No, we have no substance-abuse problem among our city workers." No drug or alcohol problems at all.

Such an ideal situation may exist. Or such an answer could be simply a knee-jerk reaction to a question surely troubling to mayors, city and county managers, department heads and other supervisors who manage the hundreds of thousands of municipal workers in America. Our survey, however, clearly shows there is a substance-abuse problem in the nation's cities. The problem is no worse than that experienced by American business, but given the fact government operations always are under close scrutiny, simply being as vulnerable as the general public is not a viable defense.

Government, because of its sensitive nature, must be better than the norm. The public expects proper behavior and government managers must strive to provide the most productive, efficient work force possible. Drug and alcohol abuse subvert that goal, and create public doubts about the dedication and effectiveness of the entire body of government employees, regardless of guilt or innocence. Government managers, in short, have a duty to do more to solve this societal problem than their counterparts in the private sector.

Assistant Editor Tim Darnell's report this month breaks new ground in identifying how serious a substance-abuse problem local governments have among their employees and how productivity is affected. Perhaps the most significant finding in his research is that so little is known, or has been documented, about this problem. He found no previous studies of this nature, nor any hard data like that presented in this issue.

This fact, in itself, is alarming. Managers of public employees need to know to what extent drugs and alcohol are affecting their operations. They need to know how to identify when a problem exists. They also need to know what solutions they can apply and what the legal considerations are.

Our interviews with top officials in 100 cities show 60 percent are experiencing lost productivity as a result of substance abuse. Ironically, however, only 48 percent say more money is needed for employee-counseling programs. On the positive side, 42 percent of those cities have programs to help employees with substance abuse.

One of the difficulties public managers face is in recognizing who their troubled employees are. Often, the drug or alcohol addiction reaches a critical stage before the problem is obvious. As one personnel director told us, "If the situation does not affect performance on the job, it is likely we won't be able to discover it."

Then there are the additional legal concerns to consider. Training of supervisors, therefore, both in identifying and correcting substance-abuse situations, should be a paramount consideration. Educational programs also can help, and should be directed at all employees, from managers on down. Substance abuse is not limited to the hourly worker; in fact, studies indicate those in management positions may be the most susceptible.

The next battleground will be in the field of drug testing, with all the legal pitfalls this relatively new procedure brings with it. Only 25 percent of the cities surveyed say they use pre-employment testing, with one observer characterizing this issue as having "municipal governments shaking in their boots." Testing can be expensive, and the results often are suspect. In addition, no one tests for alcohol abuse, which 94 percent of survey respondents cite as their most common form of substance abuse.

Testing is only part of the equation; education and counseling also are important if public managers are to address the problem adequately. Rarely will you find a community, or a private business, where there is a substance-free work force. Only by learning how to identify and address the problem can public managers hope to provide the productive and efficient government operation expected by the general population. □

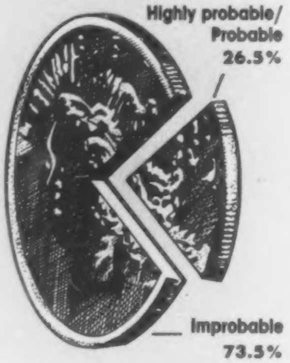
— Ken Anderberg

ity to hold tax-exempt bonds by commercial banks also has contributed to the sharp decline in new issues of small-issue industrial-development bonds, she says. Industry analysts have indicated commercial banks historically purchased around 80 percent of such issues.

"Unfortunately," Ruth says, "provisions of the tax bill currently being considered by House-Senate conferees would further restrict tax-exempt financing, discourage investors and raise the cost of borrowing for local and state governments."

SURVEY SPOTLIGHT

Will your city reduce operating expenses in response to the Tax Reform Act of 1986?



SOURCE: National League of Cities

NORTHEAST

PennDOT Eliminates Hazardous Crossing

During the early 1970s, the Pennsylvania Department of Transportation (PennDOT) decided an undue amount of accidents were occurring on Route 8, a primary roadway leading to Pittsburgh. Further investigations revealed a number of small vehicles were losing control on a timber railroad crossing. Most of the cars were striking a utility pole and five fatalities had resulted.

The department took safety measures such as installing an overhead light, advisory speed signs and chevrons. The department also tried to eliminate the crossing, but the owners said it was their only means of shipping chemicals. Despite the safety measures, the accident rate decreased only slightly.

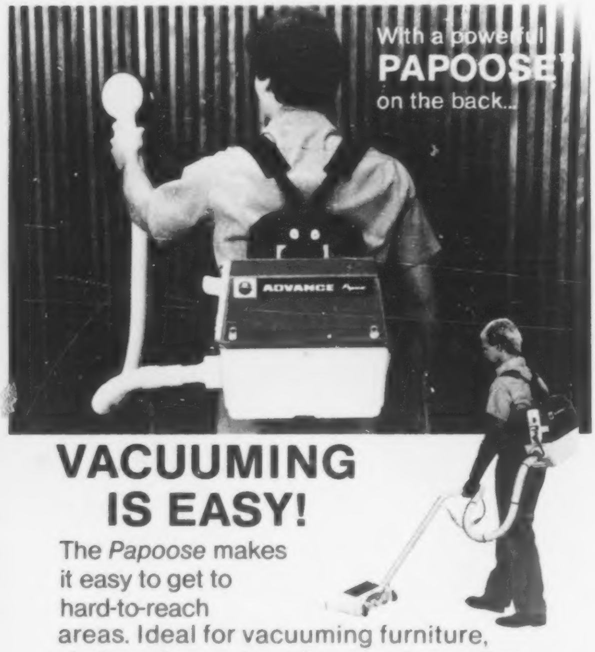
PennDOT decided the lack of superelevation in the highway curve was contributing to drivers losing control of their vehicles. New rubber railroad crossings were installed in 1981, but the accidents continued.

In 1985, the chemical company was sold. Since resurfacing of Route 8 was anticipated, the department again tried to have the crossing removed. The chemical company agreed to relinquish the crossing if another means of transport could be found. PennDOT proposed building a large pipe under the highway. The culvert would contain a series of pipes and the chemicals would be propelled by pumps within the plant. A loading dock would be constructed across the highway on railroad property.

Using federal funds, a 60-inch pipe was placed in an open trench prior to resurfacing. The highway contractor provided an additional foot of superelevation to the curve. The dangerous crossing now has been eliminated.

Morris County Begins Paratransit System

Funded by state casino taxes, the Morris County, N.J., Department of Transportation (DOT) has inaugurated a paratransit service, called the Morris Area Paratransit System (MAPS), in the 477-square-mile county. MAPS provides more than 40 disabled persons with work trips each weekday,



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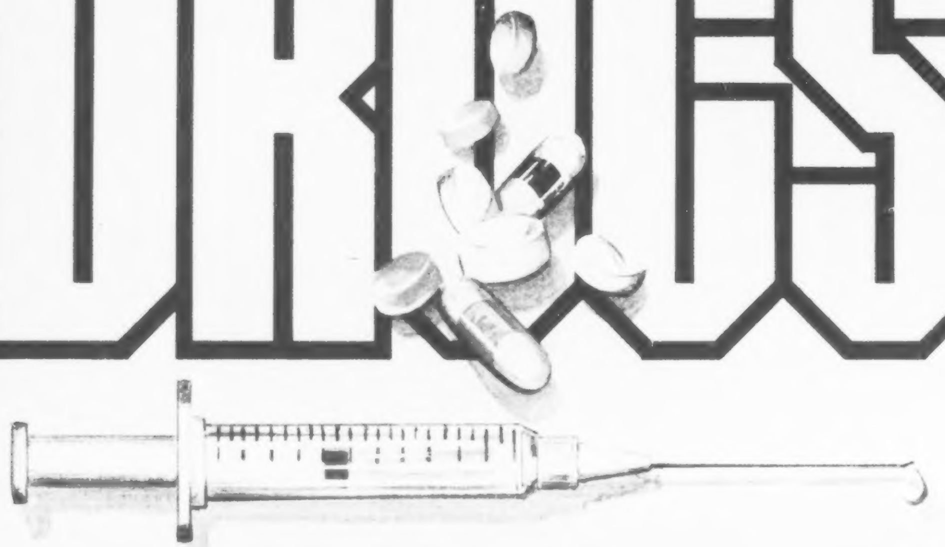


A PERSONNEL NIGHTMARE

While substance abuse among municipal workers may result in productivity losses and absenteeism, most cities say more money is not needed to combat the problem, according to an *American City & County* survey.

By Tim Darnell, Assistant Editor

First in a two-part series

Decreasing job performance and increasing absenteeism resulting from substance abuse are as common among America's municipal workers as in the nation's general population. Substance abuse even in cities with medium-sized work forces is apparent, with alcohol the more common addiction. But according to many high-level city officials, programs designed to combat substance abuse are only moderately effective at best, and throwing more money at the problem is not the answer.

These are the sometimes contradictory results of an exclusive, four-month *American City & County* survey of 100 randomly selected cities nationwide. Sixty percent of those cities surveyed say overall productivity is being compromised by employees who abuse drugs and/or alcohol. Also, 59 percent indicate these employees are prone to absenteeism. But while problems with productivity and absenteeism were evident, a slim majority of 52 percent say no more money is needed for employee substance-abuse counseling programs.

Cities were selected from every portion of the country, with various population sizes and numbers of municipal workers. Forty-five communities with less than 500 municipal employees were surveyed, along with 18 cities with between 500 and 999 public employees, 18 with between 1,000 and 1,999, and 19 with more than 2,000 employees. The smallest city surveyed had a population of 13,749, while the largest had more than 1.6 million people. Mayors, city managers and other high-level officials responded to the nine-question survey.

When asked, "How serious of a problem is substance abuse among your municipal workers?" only 1 percent of the respondents indicate a serious problem, while 43 percent answer "moderate" and 56 percent say "slight." Alcohol, with 94 percent, appears to be the most common form of substance abuse, while 13 percent say drug abuse is a concern, and 10 percent say both are prevalent.

"The use of alcohol is prevalent everywhere in society," says Norman Willis, employee-assistance counselor for Oakland, Calif. "For example, at lunchtime a lot of people have one or two drinks, but that doesn't mean it's going to affect their work or serve as grounds for discipline. However, if it affects work standards, then it can serve as grounds for termination."

The Alcohol and Drug Problems Association of North America estimates 13 million Americans either are alcoholics or problem drinkers, while almost 500,000 are addicted to heroin. The association also reports cocaine use is on the rise, more than 16 million people smoke marijuana, and the use of pyschoactive drugs is increasing.

The National Institute on Drug Abuse (NIDA) performed a 1985 Household

BOOZE

Survey on Drug Abuse. The study indicates use of marijuana decreased from 20 million people in 1982 to 18.2 million in 1985. The 18-to-25-year-old group was determined to have either stabilized or decreased their use of drugs, while the 26-year-old-or-older group was most likely to have increased using drugs.

"The highest number of drug users are not who the politicans say they are," says Carlton Turner, who directed President Reagan's White House Policy on Drug Abuse from 1981 to 1986. "Drug usage among young people has been reduced from one in 10 a few years ago to one in 26 today. The highest number of drug users in the nation currently reside between the ages of 20 and 40. This group mostly abuses marijuana, cocaine and alcohol. The highest number of alcoholics are over 40."

NIDA figures also indicate percentages of older adults (age 26 and older) who use cocaine regularly increased from 1982 to 1985, while cocaine use among younger ages declined. Significant increases with the nonmedical use of tranquilizers and analgesics also occurred among older adults, while it declined among the general population.

Statistics concerning substance abuse among America's municipal workers are scarce. The International City Managers Association devoted its September 1987 issue of *Public Management* to several employee-assistance programs (EAPs) and other strategies local governments are taking to combat the problem. Wendy Smith of the Institute for Professional Development for the American Public Works Association (APWA) says substance abuse was a topic during an informal discussion at the APWA's annual meeting last year.

"For the most part, drug abuse did seem to be a problem, but it was no more or less serious than in the private sector," she says. "But it was interesting that after about 15 minutes on drugs per se, the discussion evolved into a more general discussion of relationships with employees."

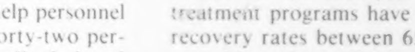
EAPs are prevalent, even in cities with smaller budgets and work forces, according to the survey. Only 30 percent of the cities surveyed do not have an EAP or referral service at all, while 28 percent have EAPs to help personnel with general problems. Forty-two percent had programs specifically designed to help employees with substance-abuse problems. When asked to rate their EAP's effectiveness, 58.2 percent judge their program moderately effective, while 37.3 say "very effective" and 4.5 percent indicate the program is not effective at all.

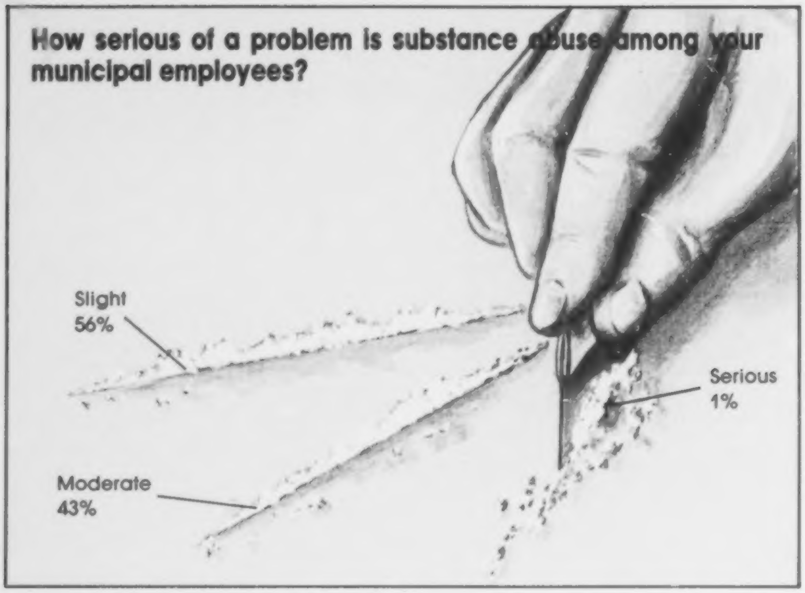
"To identify substance-abuse alone is pointless without the program to take care of it," Willis says. "Health coverage is needed to back up the treatment. We have an internal EAP and an external program, in situations requiring additional treatment. Our citywide program consists of assessment, identification, referral and consultation."

Trenton, N.J., has an EAP available to its more than 1,600 municipal workers, partially funded by Mercer County. "If there is an indication an employee may have a substance-abuse problem, he or she has the opportunity to enter the program voluntarily and confidentially," says Personnel Director Phil McHugh. "If the employee refuses, and there is a second incidence, then stronger action is taken."

The Alcohol and Drug Problems Association estimates more than 1 million people receive alcoholism treatment and related services each year. Alcoholism-treatment programs have demonstrated recovery rates between 65 and 80 percent. More than 400,000 people receive drug-abuse treatment annually. The association estimates substance abuse costs the nation more than $65 billion each year, with alcoholism costing $49 billion and drug abuse costing $16 billion.

The National Council on Alcoholism estimates alcoholism-treatment expenditures are $15 billion a year. The federal government spends more than $740





How serious of a problem is substance abuse among your municipal employees?

million each year for programs and other efforts to combat alcoholism and drug abuse. State and local governments spend an additional $700 million annually through similar programs.

"It is important for people to know what resources are available to them if they have a problem," says Dan Schmidt, director of human resources for Scottsdale, Ariz. "We focus on educating the employee and, according to the figures we have, we have not suffered losses in productivity or absenteeism."

McHugh says substance abuse among public employees is no more or no less than in the private sector. "We don't have any more of a substance-abuse problem than a private employer does with a comparable number of people," he says. Rick Harwood of the Research Triangle Institute, Raleigh, N.C., agrees, and says municipal workers probably are no more immune to drug addiction or alcoholism than any other segment of the population.

"Substance abuse among municipal workers probably is no worse than in society as a whole," he says. "People are people, regardless. A lot of substance-abuse problems are hidden. We have estimated about 10 percent of the nation's adult population have alcohol problems, while 5 percent are drug abusers. The problem seems to be worse in larger metropolitan areas."

Comparatively, the same holds true for areas with larger municipal work forces. Of those cities with less than 500 employees, 78 percent classify substance abuse as slight. But the percentage of cities who answer "slight" decreases as the number of municipal employees increases. Fifty percent of those cities with between 500 and 999 employees say the problem is slight, while 44 percent say "moderate" and 5 percent say "serious." For communities with between 1,000 and 1,999 employees, 65 percent say "moderate." Finally, 74 percent of cities with more than 2,000 workers indicate a moderate substance-abuse problem.

The survey also indicates productivity losses and absenteeism, while not prevalent in cities with less than 500 employees, are more widespread among cities with mid-sized to larger work forces. A total of 72 percent of cities with between 500 and 999 employees say substance abuse affects performance, and 83 percent say they have resulting higher absenteeism rates. For cities with between 1,000 and 1,999 workers, those numbers are 59 percent and 65 percent, respectively. Eighty-four percent of metropolitan areas with more than 2,000 employees say they suffer losses in productivity, while 74 percent acknowledge absenteeism problems.

Coming Next Month

In the April issue of *American City & County*, part two of "Drugs and Booze — A Personnel Nightmare" will examine what local governments are doing to solve substance-abuse problems among their employees. Several cities, including Albany, Ga., Moline, Ill., Los Angeles and Phoenix, Ariz., have adopted comprehensive substance-abuse policies to aid and assist employees addicted to drugs or alcohol.

Drug testing — its accuracy and its implications — also will be discussed, as experts in the field will offer their comments on how local governments can develop confidential, reliable drug-testing procedures. Look for part two of this series next month. □

"We see the entire issue of substance abuse as a productivity problem," says Alfred Gatta, city manager of Hartford, Conn. "We do have a slight problem, and we are combatting it through a $50,000 EAP. This program provides counseling and other basic services."

"It would be naive to say substance abuse of any kind does not affect overall productivity," says Shirley Kanode, human resources administrator for Tempe, Ariz., which employs approximately 1,200 full-time workers. "In general terms, drug addiction or alcoholism certainly affects the situation. In addition, chronic abusers of sick-leave privileges often are found to have a substance-abuse problem.

"We are now in the process of educating our supervisors to help them more readily identify employees with problems such as these and referring them to our EAP," she says. "But, regardless of money, we are doing everything we can do now."

Despite a seeming recognition of the problem, most respondents do not feel additional funding is needed. This fiscal reluctance is most evident among cities with less than 500 employees, as 62 percent say more money for counseling programs is not needed. Fifty-six percent of those cities with between 500 and 999 employees say they would like to see additional funding, but 59 percent with between 1,000 and 1,999 say it is not needed. Finally, 68 percent of cities with more than 2,000 workers say more programs and more money would help.

"Even one employee with a drug or alcohol problem affects productivity," says Gainesville, Fla., City Manager W.D. Higginbotham. "We have found people with high absenteeism rates have a substance-abuse problem. We really don't know if we have a problem or not; we are putting a program in place this year. We discipline very strictly, but we do give the employee a chance to rehabilitate."

Nearly all cities surveyed (92 percent) discipline employees if caught abusing drugs or alcohol on the job. "We view the situation of abusing alcohol on the job more seriously than we do abusing it off the job," says Walter Denton, personnel director for Hamden, Conn. "But if the situation does not affect performance on the job, it is likely we won't be able to discover it."

The problem of identifying employees addicted to drugs and/or alcohol is a common theme reflected by many of the survey's respondents. "It is extremely difficult to identify an employee who may have a substance-abuse problem," McHugh says.

Turner, now president of BioScience Inc., South Plainfield, N.J., says, "Most department supervisors and managers are older, and the only experience they've had in determining substance abuse is if they have seen it themselves. Otherwise, they haven't had any training to observe these problems. There are some people out there who don't want to deal with this problem. But a commitment is needed to acknowledge the problem and commit to a substance-free environment."

The issue of drug testing in the public work place has received some attention from municipal managers. James Mercer, president of Mercer/Slavin, Atlanta, a local-government consultant, says, "We have an increasing number of our clients express concern about whether drug testing can be required for high-level, managerial positions."

Of the 100 cities surveyed, 75 percent require no form of pre-employment testing. Larger cities seem more comfortable with testing employees for narcotics. Forty-seven percent of cities with more than 2,000 employees require mandatory testing, compared with only 16 percent of those cities with less than 500 employees. Turner says the issue "has municipal governments shaking in their boots.

"There are two groups of people in this situation," he says. "There are those who will be sued and those who have been sued. But unless some leadership at the local level is willing to come forth, nothing will be resolved. Lawyers should not be allowed to set policy. They provide good advice, but city leaders are the ones who have to set the policies."

Testing employees for drugs and other foreign substances is just one response by municipal managers to drug and alcohol addiction among their employees. How can a community develop a drug-testing procedure and, in the process, avoid alienating its employees and its general population? How reliable is drug testing today? Have any cities developed a model EAP or substance-abuse program that has proven effective and legal?

These and other issues will be explored next month, as *American City & County* will look at solutions to a problem more and more municipal managers may face in the near future. As Turner says, "This is not a political issue. A Democratic or Republican label cannot be placed on it, and it can't be voted in and out of office every year. It is a people issue, a social issue, and the only way something can be done about the problem is to finally admit that it's there." ☐

Additional research was provided by Vené Franco and Susan James, editorial assistants for **American City & County.**

Confrontation: Key to Employee Rehabilitation

Early signs of substance-abuse problems are subtle. The escalating dependence on drugs and alcohol often is invisible to family, friends and even to the abuser, so outward signs can be hard for an employer to detect. According to a study by the Charter Hospital of Columbia (Mo.), increased tolerance for the substance, turning to the substance to relieve stress, blackouts (periods of memory blankness), and lying about drinking and drug use all indicate the beginning of a substance-abuse problem. In most cases. however, an employer will not be able to observe this process.

What can be seen is an employee who is absent often, comes in late and leaves early. Specific signs of a substance-abuse problem include a disheveled appearance, drastic mood changes between morning and afternoon (when the morning hangover has subsided and the lunchtime cocktails have taken effect), increased use of cologne and mouthwash (to hide tell-tale odors) and frequent trips to the restroom.

The general symptoms of substance abuse are increasing absenteeism, paranoid and antisocial behavior, physical deterioration and steadily decreasing productivity, according to the Charter study.

In the early stages, an increased dependency on alcohol or drugs results in regular absences, increased sensitivity to criticism and complaints from fellow workers. An abuser who lies to self and family about drug or alcohol consumption often begins to lie on the job, too. A general decrease in efficiency, manifesting itself in missed deadlines and careless mistakes, occurs as use of alcohol or drugs begins to affect judgment and attention span.

Well into the addiction, the abuser exhibits less skill in keeping up a front, taking frequent days off for vague reasons. An addict will exaggerate work accomplishments to make up for decreased productivity, and does not get along with co-workers. Paranoia causes unreasonable feelings of resentment toward others.

What an employer usually cannot see at this point is the surreptitious drinking, intense hangovers and guilt about the problem causing this behavior. In private life, the abuser probably is having financial difficulties and family problems.

In addition to the already poor quality of work being produced, serious domestic problems, including family separation, begin to interfere further with job performance. A chemically dependent employee may be hospitalized more than usual, may be in trouble with the law or display an apparent loss of ethical values. Behind the scenes, the employee is drinking alone, neglecting food and failing in efforts to control the problem.

Blatant evidence of alcohol and drug abuse comes to light only in the last stage, when the abuser is so far into the addiction other activities are seen as interfering with the habit. The abuser is not as successful, as in earlier stages, at hiding the situation, and often will be absent for days at a time. Signs of physical deterioration are visible by now, and the abuser may be drinking or using drugs during working hours, instead of during lunch and non-working hours. This is the critical point, at which the employee must either seek help or be fired.

Many of these symptoms are vague, and can occur in various degrees. Since drug addiction is not the only reason a person might be absent frequently or display strange behavioral changes, the best course of action is to approach troubled employees from a job-performance standpoint, recommends John Hubbs, program director of the hospital's Chemical Dependency Unit. While an employer may be out of bounds in speculating on an employee's private problems, the employer is entirely within rights in confronting that employee with a record of deficient job performance.

According to Hubbs, this approach is very effective. "We find that supervisors have more influence over dependent employees than even family members," he says.

Pinpointing drugs or alcohol is not necessary since any personal problem affecting job performance is grounds for employer intervention. "It would be nice if we could say, 'Keep your personal problems at home,' but it just doesn't work that way," Hubbs says. If an employer can get the employee into an employee-assistance program, the precise nature of the problem can be determined. Intervention at work by a supervisor may well be the turning point in the life of a chemically dependent person, the point where help finally is received. ☐

This article was written by Susan James, editorial assistant for **American City & County.**

MUNICIPAL COST INDEXES

March witnessed the first time in 16 months the **Municipal Cost Index** dropped. The index read 353.6, a 0.1-percent decline from February. The **Producer Price Index** also dropped 0.1 percent from last month's 311.9. The **Construction Cost Index** declined the most, 0.2 percent to 389.3. The only index registering no change from February was the **Consumer Price Index**, at 345.7.

Passenger cars dropped 2.5 percent from last month to 240.0, while heavy motor trucks dropped 2.7 percent from last year. Motor vehicle parts read 368, mining machinery and equipment registered 386.7, and construction equipment dropped 0.4 percent from February.

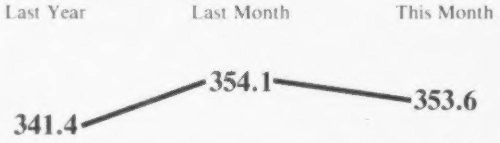
—Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	151.7	0.6	1.5
Apparel	188.2	0.3	0.1
Asphalt Roofing	380.8	0.1	1.7
Chemicals, Industrial	345.6	0.6	8.7
Coal	509.8	-0.1	-4.7
Concrete Products	325.9	-0.2	0.3
Construction Machinery	377.6	0.4	2.2
Diesel Fuel	459.7	-5.8	28.6
Electric Components	204.2	0.4	0.5
Electric Lamps	349.5	-0.8	0.5
Electric Power	445.5	0.1	-0.3
Engines, I.C.	360.0	0	1.8
Fans, Blowers	376.3	1.3	1.9
Fertilizers, Mixed	273.7	1.8	11.5
Floor Coverings	202.2	-0.4	2.2
Flow Instruments	242.0	-0.2	1.7
Footwear	273.8	1.4	3.7
Foundry Products	368.5	0.1	1.5
Fuel Oil No. 2	479.5	-5.4	24.4
Furniture	265.0	0.9	3.8
Gasoline	381.3	-6.2	20.6
Generator Sets	364.3	0.7	3.1
Glass	242.4	0.7	3.8
Glass Containers	399.9	-0.3	0
Gypsum Products	310.6	1.6	-10.6
Hardware	311.1	0.5	1.9
Heating Equipment	270.9	-3.8	- 0.3
HVAC Controls	131.8	-0.3	0.2
LP Gas	370.0	-1.8	25.3
Lubricants	343.2	-2.0	-0.9
Lumber	345.5	0.4	9.0
Metal Fabrications	331.3	1.2	4.7
Millwork	333.7	-0.1	4.6
Motor Vehicle Parts	368.0	0.2	2.5
Mowers	267.2	0	1.1
Natural Gas	1042.6	3.0	-4.1
Office Machines	159.8	0.2	2.8
Paint	331.6	-1.2	6.2
Paper	328.3	0.4	4.8
Passenger Cars	240.0	-2.5	-3.1
Plumbing Fixtures	338.6	0.3	5.1
Plywood	241.9	-1.5	3.6
Portland Cement	345.4	-0.3	1.1
Residual Fuel	587.4	-5.9	27.1
Sand, Gravel	330.2	0	2.8
Sanitary Papers	384.7	-1.0	0.6
Soaps, Detergents	282.5	0.5	3.4
Sporting Goods	212.4	0.5	2.7
Steel Mill Products	371.6	0.9	6.4
Struc. Clay Products	319.8	0	3.7
Switchgear	290.2	-0.3	1.8
Tires, Tubes	235.1	1.0	1.9
Transformers	243.2	1.1	3.1
Trucks	337.3	0.6	-2.7
Valves	109.8	0	2.1
Wire, Cable	249.4	9.3	21.7
Wiring Devices	390.5	0.2	2.6

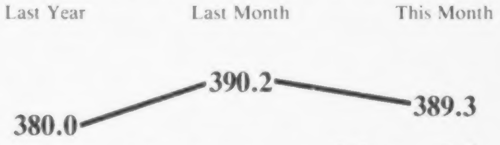
At-A-Glance Changes

MUNICIPAL COST INDEX



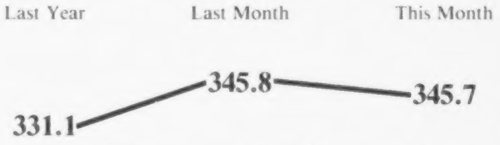
Percent Change From Last: Month **-0.1** Year **3.6**

CONSTRUCTION COST INDEX



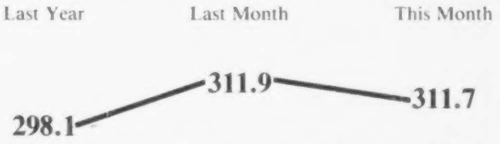
Percent Change From Last: Month **-0.2** Year **2.4**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0** Year **4.4**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **-0.1** Year **4.6**

These figures are calculated on a base year of 1967.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	657.6B	1.0	5.0
Federal Grants	103.5B	-2.4	- 5.5
Durable Purchases	27.8B	3.0	11.6
Consumables	44.6B	3.5	16.7
Services	413.1B	2.1	8.2
Structures	61.4B	-2.1	- 1.8
Salaries, Wages	325.6B	1.8	7.8
Surplus	87.5B	2.9	10.0
Employment	14.280M	0.3	1.8

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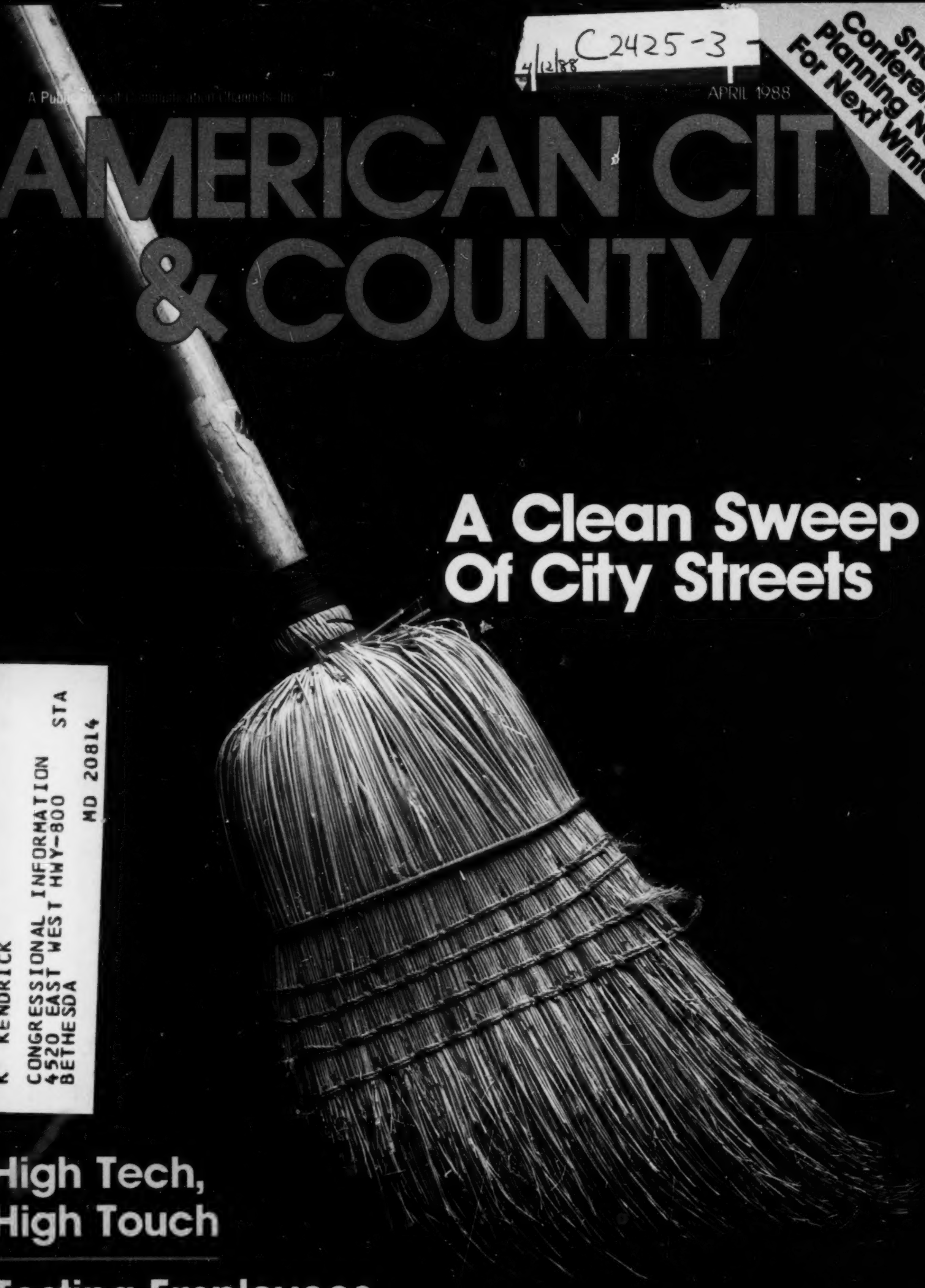
APRIL 1988

AMERICAN CITY & COUNTY

Snow Conference: Planning Now For Next Winter



A Clean Sweep Of City Streets

CIT36591895
K KENDRICK
CONGRESSIONAL INFORMATION STA
4520 EAST WEST HWY-800
BETHESDA MD 20814

High Tech, High Touch

Testing Employees For Substance Abuse

AMERICAN CITY & COUNTY®

April 1988 Vol. 103, No. 4

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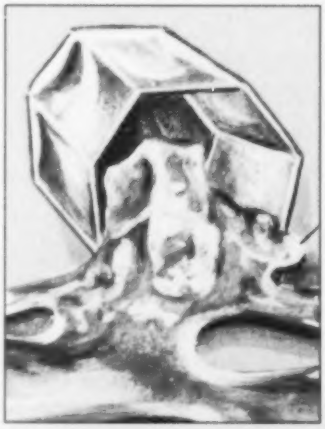
Cover photography by Reggie Parker/Images Unlimited, Atlanta



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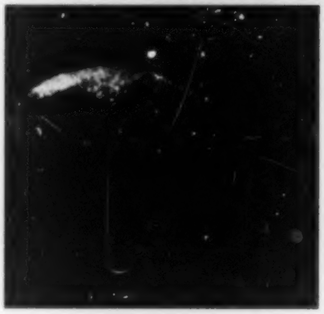
66 High Tech, High Touch



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EDITOR'S VIEW

Is Testing Appropriate?

Just how accurate are drug tests? Should local governments rely on such tests when considering job applicants or identifying problems among current workers? Are there legal rights being abrogated? Are the tests reliable? And what do they really indicate — addiction to a particular drug or an occasional use? Do the tests inform the governing body whether the individual's productivity is lessened? Whether that person is a liability risk? Does drug testing open the doors for alcohol testing — a far more extensive problem in American society today?

These and other questions are at the core of the substance-abuse dilemma discussed in this month's concluding episode on drug and alcohol use among local-government employees. In an exclusive national telephone survey, *American City & County* editors asked 100 local administrators about the depth and nature of the substance-abuse problem among their work forces. The conclusion: City and county governments generally are experiencing the same difficulties as American business.

One in four local governments reported in the survey they test job applicants; 42 percent of the communities polled have programs in place designed specifically to deal with substance-abuse problems. Those programs and the legal ramifications of drug testing are the focus of this month's report.

The controversial nature of drug testing has some public officials hesitant to become involved in such efforts. In fact, some medical researchers call current drug-testing practices "chemical McCarthyism." Civil libertarians also question such tests, saying the only value is to provide employers with "a window into the private lives of their employees."

The legality of these tests is being challenged, with a recent ruling by a federal appellate court in San Francisco blocking the testing of federal railway workers after an accident, without other evidence of drug or alcohol use. And medical authorities are citing the tests' limitations.

A drug-testing expert with the congressional Office of Technology Assessment says a federal survey of 50 major laboratories shows a significant error rate. "Even when the test itself is accurate, the lab that does it may not be," he said.

According to an American Medical Association panel, drug testing gives no "indication of the pattern or frequency of drug use — or even when the last time the drug was used." The editor of the group's publication, himself a pathologist, calls the tests irrelevant for determining if workers use drugs on the job or whether their work is impaired.

The problem is as monumental for city and county governments as it is for the private sector. Testing is controversial, and perhaps unconstitutional. Testing reliability is unproven. Yet few would argue that an employee with a drug or alcohol problem is trouble waiting to happen. As outlined in this month's special report, many local governments are turning to education and counseling as a low-cost and relatively effective way to help their employees deal with their problem. Given the litigious atmosphere surrounding local government today, that may be the safest route to take. With constitutional questions still in doubt and unreliable testing procedures still too prevalent, counseling and education may be the most effective way to deal with the problem.

QUOTE OF THE MONTH: During this year's legislative session, Georgia state legislators considered an "open government" bill that has garnered the support of nearly everyone in and out of government. Special interests call it a good idea, but then cite exceptions where closed meetings are needed in certain situations. Legislators, fully behind the bill verbally, have attached a number of amendments, saying the bill as written would make it impossible for government to operate.

One legislator said there is "no debate" that everyone is for open government. After his subcommittee held an open hearing on the bill, however, he said, "I see no way that anyone can intelligently sit down and discuss legislation like this and have it in the open. You can't be free to think if somebody is there."

Quite a unique stance — a closed meeting to discuss an open-government bill. Incidentally, Florida and Tennessee have open-government legislation on the books and appear to have little difficulty in governing. ☐

— Ken Anderberg

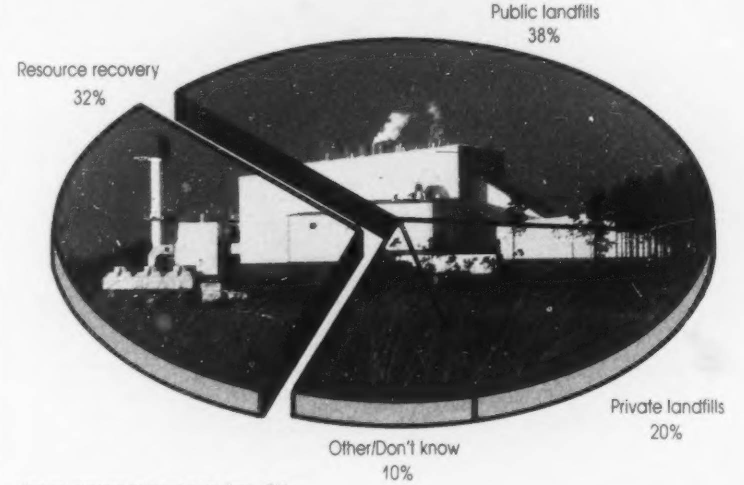
Lancaster County Bids 20% Lower

Two of the three bids for the design, construction and operation of the Lancaster County, Pa., Solid Waste Authority's 1,200-ton-per-day waste-to-energy incinerator were 20 percent lower than estimated.

The bidding was performed under strict Pennsylvania bidding laws, requiring all negotiations be made prior to bidding. As a result, competing firms had time for bid preparation. Issues covered in the bids included incinerator-construction costs, guaranteed annual electrical-production levels, annual operating charges, and a guaranteed lime-consumption rate.

The county's engineering consultant, Camp Dresser & McKee, Boston, wrote the request for proposal. Odgen Martin Systems, Fairfield, N.J., was awarded the contract. The authority plans to have the plant operational by 1991.

How will you solve future trash-disposal needs?



*Percent of communities surveyed. Base = 211.
SOURCE: *AC&C Survey of Issues and Trends.*

Companies Sign Teaming Agreement

Swedish combustion-equipment manufacturer Gotaverken Energy Systems, with U.S. headquarters in Charlotte, N.C., has announced a formal teaming agreement with National Ecology, Timonium, Md.

The cooperative agreement, which will unite the two corporations on a series of select, waste-to-energy projects, combines Gotaverken's circulating fluidized-bed technology with National Ecology's refuse-derived-fuel processing-system concept.

The companies will apply their first effort to an 850-tpd resource-recovery facility in Erie, Pa., which is scheduled for start-up in 1990. The facility will use two Gotaverken boilers, each capable of producing 11,000 pounds of steam per hour, with National Ecology's frontline, refuse-processing and materials-recovery equipment and procedures.

Maine Adopts Recycling Plan

Maine has adopted a new recycling plan developed by KTI Energy, Portland, Maine, that will encourage communities to separate and recycle non-combustible materials.

According to company president Gerald Kuhr, KTI will make recycling more profitable by paying cities and counties to remove and recycle glass bottles and jars, cans and batteries from their waste stream before delivery to the two resource-recovery plants developed by the company.

For each pound of recycled materials, that municipality's tipping fee will be credited and the community's minimum waste-delivery commitment will be reduced by the amount recycled.

"Municipal waste-disposal costs will be reduced as a result," Kuhr says. "Communities will receive more money for material they recycle and the more that is recycled, the less the community has to pay for waste disposal."

Dade County, Fla., Agreement Reached

Final agreement for operating the world's largest resource-recovery facility has been reached between Montenay Power Corp. and Dade County, Fla. County commissioners have ratified the 15-year contract, which calls for Montenay to invest $45 million to refurbish the plant and restore it to its original capacity of 920,000 tons of solid waste per year.

This arrangement allows Dade County to maintain its disposal fee at $27 per ton. The county will pay Montenay $22 per ton of refuse processed. The two will split revenues from electricity produced at the plant and sold to Florida Power & Light, while Montenay will retain revenues from the sale of ash, minerals and other recycled materials.

Montenay Power Corp. is part of Montenay, S.A., a subsidiary of Compagnie Generale des Eaux of France.

Method Developed To Eliminate Dioxins

A new way of eliminating toxic dioxin formation during the incineration of urban waste has been developed by three Canadian professors and a West German colleague.

Frank Karasek, Leslie Dickson and K.P. Naiwadie of the University of Waterloo, along with Otto Hutzinger of the University of Bayreuth in West Germany, have concluded dioxin formation can be prevented by introducing an inhibitor at an appropriate point in the incineration. A patent is pending on the method, and international licensing agreements may be forthcoming.

BRIEFS

York, Pa.: Site preparation is complete and concrete foundation work is set to begin at the $91.2-million York County waste-to-energy facility. Westinghouse Electric, Pittsburgh, will design, build and operate the plant. The facility will be capable of burning up to 1,344 tons of garbage each day to fuel a 35-megawatt power plant.

Oahu, Hawaii: Ground has been broken for a $4.3-million electricity-generating project at the Kapaa Sanitary Landfill. The 85-acre site, owned by the City and County of Honolulu and the H.L.K. Castle Trust, will generate enough gas to provide 3,330 kilowatts of electricity. ☐

manufactured by Reemay, Old Hickory, Tenn. The root-control fabric contains pellets that release the herbicide slowly until it forms a root-inhibition zone about 2 inches wide in the soil.

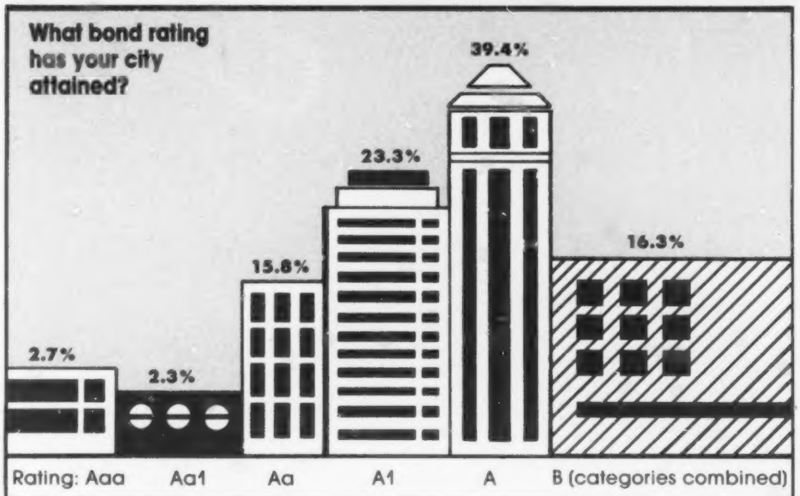
In Sunnyvale, a strip of the 18-inch-wide fabric was installed. A pair of sealed glass tubes was inserted on either side of the fabric so a miniature camera can be lowered to see how roots react to the material. City officials expect to be able to see the fabric's effect on roots within a few months. The fabric was engineered to remain effective for up to 30 years.

Indian Hills Wins Wastewater Award

Based on performance, process optimization and years of service, the Indian Hills Water Reclamation Plant in Riverside County, Calif., was named 1987 plant of the year by Zimpro/Passavant, Rothschild, Wis.

The Indian Hills facility is designed to treat 0.8 million gallons a day and is operated by the Jurupa Community Services District. The seven-year-old plant has achieved nitrogen removal of 93 percent on average, and turbidity removals of 80 to 85 percent. This performance also earned the plant an award from the U.S. Environmental Protection Agency.

SURVEY SPOTLIGHT



SOURCE: ICMA's Municipal Year Book 1987/1,694 cities surveyed

Runners-up in the competition, which is open to plants using company equipment for sludge processing or wastewater cleanup, were: the Rensselaer County Sewer District No. 1, Troy, N.Y.; the Libertyville (Ill.) Wastewater Treatment Plant; the South Coast County Water District, South Laguna, Calif.; and the Township of Chatham (N.J.)/Chatham Glen/System 2.

Anchorage, Alaska: The first high-density, polyethylene-lined municipal landfill in the state has been completed in Anchorage by Gundle Lining Systems, Houston. Using 80-mil Gundline HD liner and the company's extrusion-welding system, the project was constructed with 400-foot-high, 2-by-1 slopes. The landfill will accept waste for approximately two years. ☐

Replace Pipes Without Digging

INSITUFORM
Rebuilds main line and restores service connections quickly without digging.
Formed-in-place. Full structural integrity.
Corrosion-resistant, jointless, impermeable. Eliminates infiltration and exfiltration.
Smooth inner surface reduces friction for increased flow capacity.

DIG & REPLACE
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DRUGS & BOOZE

Combatting The Problem

Drug testing, often called "chemical McCarthyism" by opponents, and other programs are being used in the fight against substance abuse among municipal employees.

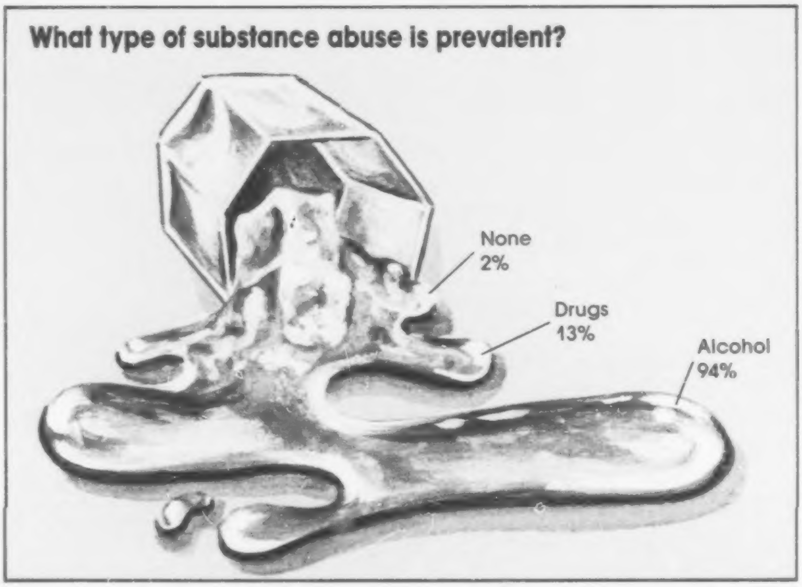
By Tim Darnell, Assistant Editor

Second in a two-part series

Nestled in the far corner of a professional office park, the HCA Palmyra Medical Center in Albany, Ga., presents a quiet, peaceful and non-threatening appearance to the outside world. That is by design. But the problems the center's personnel deal with on a daily basis do represent a threat — to the nation's municipal work force.

Albany, a small (population 79,394) urban area located in a traditionally conservative and rural portion of the Southeast, last month officially implemented an Alcohol and Controlled Substance Policy and Procedural Guide. Palmyra, which provides counseling and treatment for city employees with a drug- or alcohol-abuse problem, held a series of extensive training classes for city supervisors and department heads for nine months before the policy was implemented.

What type of substance abuse is prevalent?



ILLUSTRATIONS BY BRIAN BUXTON

"*Some of the* things we tell municipal supervisors to look for in a chemically addicted employee include a sudden inability to get along with co-workers," says Lyndon Storm, Palmyra's employee-assistance program (EAP) director, "deteriorating performance on the job, increasing tardiness and absenteeism on Mondays and Fridays, and perhaps cashing a check on pay day and never coming back."

"We provide our employees with a one-shot chance at rehabilitation," says city Personnel Director Bruce Townsend. "We tell them, 'We'll stick with you, but you have got to help us to help you.'" The policy also requires pre-employment alcohol- and drug-screening tests, and annual testing of police officers, firefighters and transit bus drivers.

"We did not establish this program to persecute anyone," Townsend says, "but to provide a drug-free work place."

Last month, *American City & County* reported some of the results of an exclusive four-month survey of 100 randomly selected cities on drug and alcohol addiction among municipal workers. While 56 percent report only a slight substance-abuse problem, 60 percent indicate a decline in productivity from addicted workers and 59 percent say these employees are prone to higher absenteeism. Alcoholism is the more common addiction (94 percent, compared with 13 percent for drug abuse and 10 percent for both).

Mandatory, pre-employment drug testing is not as common as EAPs and other counseling programs to fight substance abuse, according to the survey. While 42 percent have a specific substance-abuse counseling program, 75 percent do not require any sort of pre-employment or random screening.

An American Management Association (AMA) report said only 22 percent of governments surveyed test employees for narcotics. Though another 22 percent now are developing substance-testing programs, 52 percent are taking no official position on the issue at all.

"Unless the leadership in local government comes forward and confronts this issue, nothing will happen," says Carlton Turner, president of Psychiatric BioScience, South Plainfield, N.J., and former director of the White House Drug Abuse Policy Office. "Localities must acknowledge the damage drug abuse does not only to their work force but to society in general, and commit to a drug-free environment."

The AMA found only 21 percent of all private and public employers surveyed test for drugs. Among those who do not, 25 percent have a written substance-abuse policy in place, 24 percent are implementing one, but 46 percent have no policy or any plans for one on the drawing board. In the 1987 AMA Survey of Testing in the Workplace, 24.5 percent of AMA members contacted have initiated compulsory testing of all new employees. Eight percent test selected current employees.

When President Reagan placed drug-abuse prevention on the domestic agenda, drug-testing proposals began to receive more credibility. "For now, drug testing is more within the realm of rationality than it ever has been," says James August, a health and safety specialist for the American Federation of State, County and Municipal Employees. "When it comes to drug testing, the approach used to be 'Line everybody up and do it in a bottle.' Now when the question arises, the employer at least has the chance to develop a safe, reliable, confidential program."

Nonetheless, many organizations unequivocally oppose drug testing in any fashion, regardless of what sector it is in. Both the American Medical Association and the American Association for the Advancement of Science have called drug testing "chemical McCarthyism." The American Civil Liberties Union (ACLU) has called it "a window into the private lives" of employees and ACLU's Loren Siegel says the organization has a stronger legal argument to oppose drug testing in the public sector.

On Sept. 15, 1986, the president issued an executive order calling for testing as many as 1.2 million federal employees. But in the recent case of *The Railway Labor Executives Association vs. Burnley*, a federal appellate court in California ruled federal railroad workers could not be tested for foreign substances after an accident without some other evidence of alcohol or drug use. "The courts have made it very clear that random testing, without reasonable suspicion, is a violation of a public employee's constitutional rights," says Siegel.

Elgin, Ill., requires mandatory, pre-

Implementing a Fair Testing Program

Drug testing. Those two words have become so emotionally charged that, as with many controversial issues, misinformation and fear surround the applications of drug-testing technology.

Everyone has heard at least one horror story about someone losing their job, false positive tests and individuals put into embarrassing situations when being asked for urine samples. While all doubts regarding testing may not be satisfied, proper safeguards can be implemented.

Is drug testing legal? Yes, if it does not violate employee rights. Drug-testing programs should be properly justified and planned, and implemented fairly. Several issues must be considered when evaluating a drug-testing program.

Will an employee's privacy be protected during the time the sample is provided? There is general agreement that a witnessed sample is not necessary. If handled in a thoughtful manner, providing a urine sample need not be embarrassing. Guidelines developed for the U.S. Department of Health and Human Services provide adequate privacy, but allow the employer to be reasonably certain the sample will not be tampered with during the collection process.

Different measures include designating a secure facility solely for collecting samples, and adding bluing agents to toilet tanks to deter diluting samples. The freshness of a sample can be verified by checking the sample's color, pH level and specific gravity. These measures allow employees to provide samples in the privacy of a restroom stall.

How will an employee's name be associated with the sample provided? Most systems use code numbers applied to the sample so as not to reveal the employee's name to the testers and other sample handlers. The employer should make certain the number assigned to an employee is kept confidential, and that there is an adequate chain of custody to prevent sample tampering once it leaves their possession.

Most programs require the employee to list any medication being taken, since a few drugs can interfere with the tests, and because certain other abusable drugs, such as codeine, also may be present due to treatment for some medical condition.

Some testing programs take such a list and seal it in an envelope to be opened only if the test is positive, and then only by the individual needing to know. Other programs keep this information confidential as part of the employee's medical record.

How will the results of the tests be handled? The results should be communicated from the lab to the employer in writing — not by telephone. Furthermore, the results should only be communicated to that individual or those few other individuals who need to know the results. In some cases, that individual is the medical officer, in others the head of the personnel department.

Drug testing is an important mechanism for employers to detect and deter drug use. Despite rumors to the contrary, drug testing done in accordance with the manufacturer's recommended procedures is accurate and reliable. Testing has withstood the test of time and numerous court challenges. Utilizing an immunoassay test with a second test such as gas chromatography with mass spectrometry, which confirms positive immunoassay results, virtually eliminates any possibility of a false positive result.

Employees have rights that should be heeded during any testing program. Employees have a right to a fair program, implemented in response to a demonstrated need. They have the right to expect the urine sample will not be mixed up with someone else's, and that information about a particular sample will be handled confidentially. They have the right to expect the laboratory testing the sample is a quality lab with state-of-the-art initial and confirmatory testing methods.

Most of all, employees have the right to feel confident that a program will balance reasonable expectations of privacy with their right to perform their job in a drug-free and safe environment. ☐

Kim Kelly is manager of medical affairs of Syva Co., Palo Alto, Calif., and clinical professor of medicine and pharmacology at the University of Missouri School of Medicine.

employment testing for most city workers. Jenny Schurring, personnel director for the city, says everyone except department heads and first-line supervisors are covered under the provision. "We first contracted for pre-employment testing for police and fire personnel," she says. "When we negotiated a new contract for our employees with the local unions, we decided to include testing for all contracted employees.

"Our Legal Department has instructed us that as long as we advertise mandatory testing in advance as a hiring requirement, we are within our legal rights," she says. Some local officials are not as apprehensive about the legal ramifications of mandatory testing as they used to be. "The legal implications of drug testing are much clearer than they were a year ago," says James Hanson, city manager of LaGrange, Ga. "A lot of people now are scrambling to come up with programs."

Some cities only recently have put into writing those policies and procedures they have followed for several years. Moline, Ill., drafted a drug-screening policy in early 1987, even though, according to City Administrator William Tallman, the city had tested police- and fire-department personnel for drugs since 1983.

"We had only a moderate problem with substance abuse, with alcohol more prevalent," Tallman says. "This program has been very effective, and, so far, we have had no lawsuits filed against us."

Some cities test employees for probable cause if job performance decreases, or if the employee displays symptoms of substance addiction. But Tallman cautions local governments to consult local unions when adding such a clause to a contract. He says municipalities should be aware of any state statuatory or common-law limitations against random, unannounced testing.

"Under our EAP, we require pre-employment testing," says Jim Francis, assistant city manager for Dayton, Ohio. "Then, later, if there is evidence of an addiction problem, we will re-test the employee." Some programs also consult the employee's family. Francis says, "We make a practice of bringing the family in to help them through this trying situation."

Difficult situations can develop when cities or counties try establishing a drug-testing program for their workers. The threat of costly lawsuits and a fear of violating an employee's constitutional rights to privacy may cause some local officials to shy away from the issue. But Turner says most organizations are supportive of any method that not only combats substance abuse but protects the public as well.

"I have never seen a labor leader yet who wanted an alcoholic or drug addict behind the wheel of a truck," Turner says. "The labor sector has not gotten a fair shake concerning its position on substance testing. The best way to set up a program is to first use the resources available from the local police department. In the case of an accident, the program can determine the accident resulted from an honest human error, and was not drug or alcohol related.

"Establish an 800 number for the general population at large, where people can call anonymously, and invite employees who know of a problem to call that number," he says. The National Institute on Drug Abuse created the Drug-Free Workplace Helpline in December 1986. According to Helpline operator Auraham Forman, staffers talk with callers about drug testing, the use of EAPs to help employees who use drugs, and various approaches to education and prevention of drug abuse in the work place.

"People don't come to work with the idea of performing poorly."

"Although we don't break down the number of callers into members of the public and private sector statistically, we have had a great many municipal employers use this service," Forman says. "Various department heads and clerks, town and city managers have called. Our perception is those municipal officials who call the Helpline are individuals running departments and are concerned with safety issues, such as operating a power or water plant."

When instituting a drug-testing program, Turner stresses choosing a well-respected laboratory. "Most importantly, contract with a good lab that is security conscious," he says. "A lab that has a lot of people walking in and out won't work. Somebody is sure to sue and tell the lab and the government to prove a particular sample wasn't doctored."

Due to advancements in substance-testing technology, questions of reliability should be put to rest, says Kim Kelly, manager of medical affairs for Syva, Palo Alto, Calif., a manufacturer of drug-testing equipment. "The way lab testing is done today, it is very accurate and reliable," he says. "The facts presented in scientific literature are very strong; the accuracy of these tests is well over 99 percent. In cases where the second test confirms the initial one, it approaches 100 percent."

Some do not share Kelly's confidence in the procedure's accuracy or reliability. The ACLU objects to urinalysis because it tells nothing about the employee's ability to perform on the job. "The only thing urinalysis does is indicate some trace of a chemical the person has ingested at some time in the past," Siegel says. "It does not measure an individual's ability to perform on the job. By the time it reaches the urine, it already has passed through the brain, and has no effect on the individual at all."

During a climate of financial uncertainty, most municipal budget managers may look at whether a drug-testing program or EAP requires a long-term financial requirement. Dr. Michael Langley of the Center for Psychological and Counseling Services, Smyrna, Ga., says an EAP "is not a lifetime commitment.

"Employee use of an EAP likely peaks between five to seven years," he says. "In the first or second year of an EAP, only about 1 to 3 percent of the employee population will utilize its services. At its full operational base, between 9 and 9½ percent will use it. One community in Alabama has the oldest EAP in the state, and it almost was canceled after its first year. In the early part of this decade, its utilization rate was about 9.5 percent. Now it is down to between 5 and 6 percent."

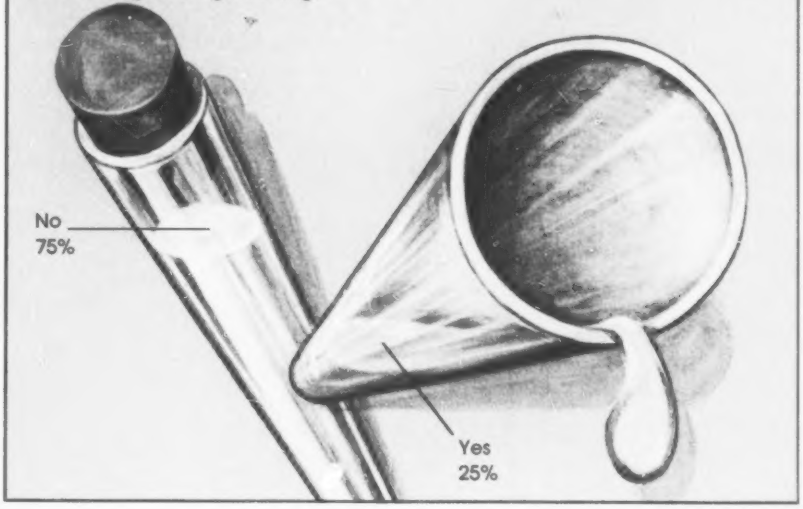
American City & County found 58 percent of those cities with an EAP rate it moderately successful, while 37 percent say "very effective." Because of smaller budgets and fewer employees, most cities with less than 500 workers have no EAP, but after that, there is no clear trend between work-force size and whether an EAP is available. Of those cities with less than 500 workers, 22 percent provide an EAP and 36 percent have a specific substance-abuse program. Fifty-eight percent of these cities say their program is moderately effective.

"It is not surprising many smaller cities have no EAP," says Barbara Barewin-Riley, EAP director for Evanston, Ill. "But the overall cost of a troubled employee is a lot higher. Our program took years in the making. We did some pilot studies in a few departments, and now are able to return to the employees direct and indirect costs.

"People don't come to work with the idea of performing poorly," she says. "Most people want to do a good job."

Fifty percent of cities surveyed with between 500 and 999 employees have substance-abuse counseling programs, and 28 percent have EAPs. More cities in this category (57 percent) rate their programs very effective. Only 6 percent of cities with between 1,000 and 1,999 workers have no employee-help pro-

Does your municipality require a new municipal employee to undergo drug testing?



gram, with 47 percent having substance-abuse programs and 47 percent having general EAPs. Sixty-nine percent say these programs are moderately effective at best.

Of the 19 cities surveyed with more than 2,000 employees, 42 percent provide substance-abuse counseling, 26 percent budget for EAPs, but 32 percent offer no sort of aid to troubled employees at all. Of those cities with programs, 69 percent rate them moderately successful. Kermit Francis, city clerk for Pasadena, Calif., has conducted substance-abuse workshops for several area universities, and says those returning to work are not as productive as they were before the addiction began.

"The productivity of the employee who has just returned to work after rehabilitation may drop to around 80 or 85 percent," says Francis. "But organizationally, EAPs have a positive effect on the attitudes of other employees. The productivity of the total organization may increase as the assistance programs increase."

Phoenix, Ariz., adopted a formal EAP and substance-abuse policy last June, and Personnel Director Carlos Arauz says he has witnessed an increase in the program's number of referrals. "A big plus under the program is the fact it is confidential," says Arauz, who chaired the city's Substance Abuse Task Force. "When the president developed his national drug-abuse policies, we felt it was time to develop our own. We do not have a punitive problem. Only about 20 percent of the EAP's referrals deal with substance abuse and most of these deal with alcoholism.

"Our statistics indicate we are in the norm as far as the national average goes," he says. "In fact, the Southwest is a little more conservative in these areas."

Phoenix's policy was developed over several months. The task force consisted of employees from all levels of city governments, including union representation. Arauz says the policy emphasizes employee education and rehabilitation. Testing for foreign substances is used only when there is reason to believe the employee is under the influence.

Richmond, Va., has a $67,000 EAP in place. "The employees who work for the city mirror the community," says City Manager Robert Bobb. "Substance abuse eventually is going to find its way into the work place. There are several reasons why we implemented this program. First, more than 80 percent of our total budget is allocated for salaries and benefits; we have a tremendous investment in our employees. Secondly, we have a commitment to our employees to provide help, confidentially, if they need it.

"Finally, we have a major responsibility to protect the public from unnecessary risks and liability issues," he says. "We have to do everything in our power to ensure that employees working in high-risk or high-responsibility jobs are substance free, and do not endanger the public." High-risk jobs might be associated with police and fire departments, but, as Forman says, many cities are concerned with employees operating water or electrical utilities.

The Los Angeles Department of Water and Power (LADWP) employs a quarter of all the city's municipal workers, and more than 70 percent of those 11,000 employees work in the field. As the only department in the city with its own separate policy and program, it also was one of the first utilities in the nation to establish its own Trauma Response Program, with its motto being "Fitness for Duty."

"We developed a very strong policy through negotiating with the five major unions that represent our employees," says Beverly King of the city's Department of Human Resources. "The program is oriented toward the rehabilitation of the employee. You don't hire highly trained personnel that can run a steam plant just off the street. So far, the overall rehab rate reaches 70 percent. Of this, 40 percent have been rehabilitated from substance abuse other than alcohol. It has had a very positive effect on deterring the abuse of drugs or alcohol, and moving toward a substance-free environment."

Supervisors in the department have received six to 15 hours of training on recognizing drug- or alcohol-addiction symptoms. In conjunction with the Los Angeles Police Department, several people in the LADWP have had even more extensive drug and alcohol training.

When an accident occurs, the employee is tested for a foreign substance. If the first test is positive, the employee is removed from the job and placed on leave. If the second test confirms the employee was under the influence, he or she is suspended and mandatorily referred to the EAP for counseling and rehabilitation. Should the employee refuse to be tested, the assumption is the person was under the influence.

"We began testing in 1985, and, initially, the unions were concerned about maintaining the confidentiality and integrity of the samples," King says. "But they have been extremely supportive of this program."

King acknowledges not all employees have been rehabilitated successfully; between 50 and 60 have been terminated. If this *American City & County* survey demonstrates nothing else, it shows municipal workers are subject to the same stresses and temptations as everyone else.

"Although it would be pleasant to assume that all employees never break the law, or report to work under the influence of alcohol or a controlled substance, such an 'ostrich-like' approach ignores the fact that substance abuse is a major health problem," according to Albany's substance-abuse policy. Though the methods used to combat drug and alcohol addiction in the public work place may differ, there is a clear and common objective — a safe and healthy work environment for all. ☐

Additional research was provided by Vené Franco and Susan James, editorial assistants for **American City & County.**

MUNICIPAL COST INDEXES

The U.S. Bureau of Labor Statistics recently has changed the base year for calculating its indexes from 1967 to 1982. In an effort to measure market changes as currently and accurately as possible, *American City & County* will base its indexes on 1982 calculations beginning in this issue.

Though the "Last Month" and "Last Year" figures in the "At-A-Glance Changes" section reflect 1967 calculations, percent changes from last month and last year have been adjusted to compensate for the difference.

For example, the **Municipal Cost Index**, on a 1982 base year, is 112.8 for April. This represents a 0.2-percent increase from last month's 353.6 reading, with a 1967 base year.

— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	110.8	0.5	1.8
Apparel	109.2	0.1	0.6
Asphalt Roofing	94.5	−1.4	2.7
Chemicals, Industrial	99.3	1.3	7.9
Coal	94.7	−0.6	−5.4
Concrete Products	109.6	0.2	0.2
Construction Machinery	110.6	0.7	2.7
Diesel Fuel	54.6	−5.4	8.5
Electric Components	115.8	−0.2	0.4
Electric Lamps	121.4	−0.1	0.7
Electric Power	109.0	−0.5	0.6
Engines, I.C.	110.3	0.5	1.8
Fans, Blowers	113.1	0.8	2.4
Fertilizers, Mixed	103.1	1.5	14.3
Floor Coverings	112.3	0.6	2.2
Flow Instruments	115.7	0.9	2.4
Footwear	112.7	0.9	4.4
Foundry Products	107.1	0.5	1.7
Fuel Oil No. 2	55.5	−4.1	4.9
Furniture	121.2	0.8	3.7
Gasoline	53.8	−5.6	3.7
Generator Sets	118.0	0.3	3.6
Glass	108.3	−1.1	2.7
Glass Containers	112.6	0.1	0.1
Gypsum Products	120.5	−0.7	−10.0
Hardware	111.4	0.4	2.7
Heating Equipment	115.6	1.2	0.3
HVAC Controls	114.0	0.4	0.7
LP Gas	54.9	−6.8	10.2
Lubricants	102.1	4.4	5.5
Lumber	131.6	−0.1	8.0
Metal Fabrications	109.5	0.7	5.7
Millwork	119.6	0.2	4.3
Motor Vehicle Parts	106.4	0.1	2.3
Mowers	113.1	0.3	1.4
Natural Gas	78.5	0.8	−2.5
Office Machines	105.9	0.5	2.9
Paint	111.6	2.0	7.1
Paper	118.1	3.0	7.5
Passenger Cars	112.3	−0.4	−3.3
Plumbing Fixtures	121.8	0.2	4.8
Plywood	105.6	1.3	5.1
Portland Cement	103.4	1.2	1.4
Residual Fuel	45.8	−7.8	2.0
Sand, Gravel	120.3	1.4	3.4
Sanitary Papers	109.0	0.2	9.6
Soaps, Detergents	111.4	0.1	3.1
Sporting Goods	104.8	1.1	3.8
Steel Mill Products	107.3	0.9	6.6
Struc. Clay Products	123.2	0.5	3.0
Switchgear	118.5	0.5	1.6
Tires, Tubes	92.9	0.9	1.6
Transformers	106.8	−2.6	0.1
Trucks	110.8	−0.2	−2.9
Valves	110.6	0.7	2.8
Wire, Cable	133.4	8.3	31.7
Wiring Devices	121.1	0.6	3.2

At-A-Glance Changes

MUNICIPAL COST INDEX

Last Year	Last Month	This Month
342.7	353.6	112.8

Percent Change From Last: Month **0.2** Year **3.4**

CONSTRUCTION COST INDEX

Last Year	Last Month	This Month
379.7	389.3	116.4

Percent Change From Last: Month **0.1** Year **2.6**

CONSUMER PRICE INDEX (BLS)

Last Year	Last Month	This Month
331.1	345.7	115.7

Percent Change From Last: Month **0.3** Year **4.7**

PRODUCER PRICE INDEX (BLS)

Last Year	Last Month	This Month
300.9	311.9	104.5

Percent Change From Last: Month **0.3** Year **3.9**

These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	657.6B	1.0	5.0
Federal Grants	103.5B	−2.4	−5.5
Durable Purchases	27.8B	3.0	11.6
Consumables	44.6B	3.5	16.7
Services	413.1B	2.1	8.2
Structures	61.4B	−2.1	−1.8
Salaries, Wages	325.6B	1.8	7.8
Surplus	87.5B	2.9	10.0
Employment	14.280M	0.3	1.8

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EDITOR'S VIEW

Time To Take Charge

Our apologies in advance to Nancy Rutledge, who has served ably and with dedication in her now-complete assignment as executive director of the National Council on Public Works Improvement, and to the many fine individuals who have participated in the two-year report to the president and Congress on the state of America's infrastructure. The report, "Fragile Foundations: A Report on America's Public Works," is complete and in the hands of Congress for review.

We do not say "in the hands of Congress for review *and action,*" because there is faint chance there will be any federal funding forthcoming as a result of this study. That is one reason for our apologies — that so much work went into a project unlikely to make any difference in how the federal government deals with the nation's decaying infrastructure.

But our apologies also reflect our frustration with this recurring "report" syndrome/nightmare. How many studies do we need to convince us of the problem? Do we do an "America in Ruins" or "Fragile Foundations" handwringing report every five years? What's the purpose — to allow Congress to show constituents something is being done? Does anyone else see this as a smokescreen to hide the unwillingness or inability of the federal government to work toward a solution? Are we fooling ourselves every five years by ballyhooing another study but not following up with appropriate action?

"Fragile Foundations" could not be a more appropriate title for this report, since the support from Washington in terms of reversing present policy is fragile, at best. Even at the state and local level, there seems to be a reluctance to realize the federal government will not be the answer to the infrastructure crisis — at least not by itself and most assuredly not with anywhere near the financial commitment of years past. The time has come for state, county and city governments to realize they must work together to solve what is essentially their problem.

The nation has put infrastructure repair on hold for too long, simply because no one wants to be responsible. The federal government is virtually precluded because of the tremendous deficit situation. State and local officials might just as well face the fact that in the years ahead less money will be coming from Washington for such needs as streets, sewers and mass transit — regardless of the political makeup of the new administration.

We are in a federal budget crisis. Berating the causes will not bring us out of the situation; neither will a return to the pre-tax cut days. The nation faces many years of serious budget austerity, and infrastructure spending will not be a priority.

Perhaps the key recommendation of the latest study calls for "a national commitment, shared by all levels of government, the private sector and the public ..." That statement is tempered, however, by the recommendation "that the federal government must act as a full and responsible partner on a long-term basis ... the federal government should be a reliable partner in financing public works."

This is a pipe dream. Reflect instead on the following recommendations in the report:

"Users and other beneficiaries should pay a greater share of the cost of infrastructure service.

"States should develop comprehensive infrastructure finance strategies.

"Local governments should give budgetary priority to funding the maintenance of existing facilities.

"Developers should pay an equitable portion of the cost of new facilities necessary to service commercial, industrial and residential development.

"The unit of government responsible for service delivery should be the one that levies the fees or taxes to the extent possible and practical."

Such sound recommendations would not seem to justify apologies, but if past performance is any indication, this latest round of infrastructure-bashing will amount to little in the way of concrete action. If that is the eventual result of this latest study, then we should offer our apologies to those people who spent so much time and effort. The blame, however, will be directed at state and local leaders if they continue to wait for the federal government to bail them out of their infrastructure dilemma. State and local governments must take charge of the situation. To do otherwise is to invite another five-year report in 1993. ☐

— *Ken Anderberg*

Special Report

Editorial Board: Better Times Ahead?

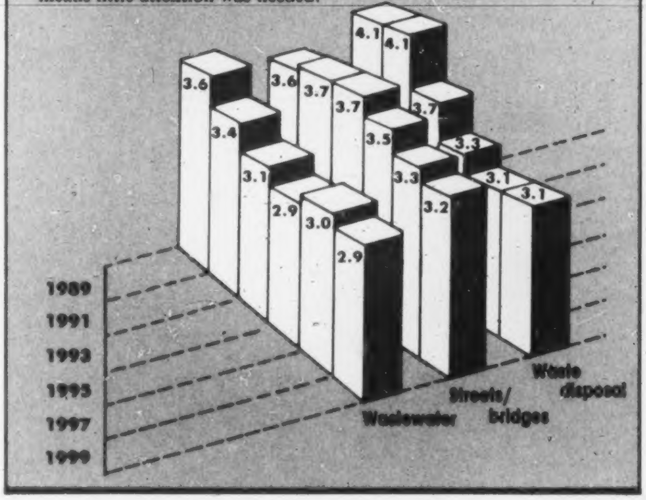
When the *American City & County* Editorial Advisory Board met in Atlanta, infrastructure and environmental problems topped the discussion agenda.

America's infrastructure and environmental problems are significant today, and will remain so until the mid-1990s, but by the end of the 20th century, such problem areas as waste disposal, street and bridge rehabilitation, and wastewater treatment generally will be in slightly better shape. That was the consensus of nine local-government leaders who gathered recently in Atlanta for the annual *American City & County* Editorial Advisory Board meeting.

Board members were asked to rate four infrastructure/environmental areas in terms of the attention needed to resolve problems in each area and when significant progress could be expected in the resolution of those problems. Each of the four areas — waste disposal, street and bridge construction and maintenance, wastewater collection and treatment, and economic development — were rated each year through the end of the century. Ratings ranged from a high of 5, indicating emergency measures need to be taken and other tasks need to be dropped until this area is under control, to a low of 1, with most challenges resolved and little need of attention. Board members included many 5s in their assessments, but no 1s.

Future Challenges

Members of the *American City & County* Editorial Advisory Board were asked to rate the seriousness of problems facing local governments through the end of this century in providing waste disposal, street and bridge repair and construction, and wastewater collection and treatment. A rating of 5 indicates an emergency situation, a mark of 3 denotes ongoing problems of significant proportion, and a 1 means little attention was needed.



Waste disposal was rated as the problem most in need of immediate attention. The board consensus was waste disposal would remain a critical concern at least through 1993, at which time corrective measures will contribute to a gradual lessening of disposal difficulties. Resource recovery, recycling and waste-stream reduction all were cited as eventual steps toward solution, but the problem is so significant that even in 1999 board members gave waste disposal a 3.1 rating — needing continual attention with ongoing problems of significant proportions.

Pam Plumb: We can get by for another five to 15 years, when all of a sudden we're going to get this huge crunch, like we've already felt in some metropolitan areas. And then the disposal space will just not be available. Then we're really going to be faced with a problem.

Buford Watson: We'll (solve the problem) in several different ways. Private enterprise will help as far as they can go. It is going to be more expensive, and when it becomes more expensive than the conversion plants, then waste-to-steam will be more practical. As the land runs out and the price gets higher, we'll see more technical solutions. It's not going to be an overwhelming problem for the next 20 years.

Chester Funnye: It's right upon us in Atlanta now. We started out in 1981 with about 14 years of landfill space left. Just a couple months ago we finally finalized our long-range solid-waste management plan. Now we're down to seven years left. If we start to-

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Editorial Advisory Board members (above and clockwise) include Pam Plumb, Daniel Kleman, John Walsh, Chester Funnye, Buford Watson and Costis Toregas.

day, it will take us a good three to four years to bring something on stream. So the period over which we're looking is really only a wink of the eye when you consider how we operate in government.

Plumb: Your timeframe is not unlike what we've been through. Although we're about to flip the switch on our waste-to-energy plant this summer, I see ongoing problems with the technology to resolve the problem. When we began our process many years ago, our state Department of Environmental Protection was pushing local communities to burn trash, and they were giving us planning money to figure out how to do it. So we did.

Now that we're about to flip the switch, they have grave reservations about whether or not it's the proper technology. They are giving us the world's hardest time on where we're going to put the ash, for example — how we're going to treat that ash, what we're going to do with the ash out of the baghouse, what we're going to do with what comes out of the stack, and whether or not we're poisoning the environment worse than we were when we were just chucking it in the ground.

Costis Toregas: Jeremy O'Brien from my technical staff, who is a professional engineer and reads the magazine and uses it very effectively, says, "Congressional action could effectively kill the waste-to-energy industry by passing legislation requiring periodic retrofits to meet changing environmental standards."

Plumb: What's going to happen to the $70-million, 25-to-30-year investment that you made when five years down the road the state says you can't operate it?

The potential is stunning. Whether it's going to happen or not is Russian roulette. The potential is absolutely staggering if you take a $70-million investment that's supposed to last 30 years and five years down the road someone tells you you're done. You've got to start over again and you're talking megabucks. Or if they come in and say, five years down the road, the state of the art now requires $15 million more for pollution control, or if they say all of your clunker ash has got to be in a landfill that's qualified to take toxic wastes. Any one of those just has staggering financial implications.

Ken Anderberg: Are you incorporating recycling programs in your waste-management plan?

Plumb: We are. I say that with some hesitation because I don't think they're significant programs. Recycling is a whole lot easier to do in a single-family suburban setting than it is in an urban setting where you have apartment dwellers and a transient population. We are talking about something like 5-percent recovery in our area. And the question is whether there's a market for what you recycle. What are you going to do with it, bury it again?

Ron Jensen: There's another side to this because the people in the recycled-materials marketplace are opposed to municipal government moving into recycling because it's going to overwhelm the market and depress prices.

We're going into phased or programmed recycling. We have a distinct advantage that will support our recycling program that other cities don't have. We're going to a transfer-station operation to haul to a regional landfill 50 miles away. It's going to cost us about $1 million a month just for transportation. So for every ton we don't

The Participants

Participating in the *American City & County* Editorial Advisory Board discussion in Atlanta were: Chester Funnye, commissioner of public works, Atlanta, and vice president of the American Public Works Association (APWA); Ronald Jensen, director of public works, Phoenix, Ariz., and vice president of APWA; Daniel Kleman, city manager, Tallahassee, Fla., and vice president, International City Management Association (ICMA); Pamela Plumb, city councilor, Portland, Maine, and president of the National League of Cities; Mel Powell, dean, Graduate Center for Public Policy and Administration, California State University, Long Beach; Peter Sferrazza, mayor, Reno, Nev.; Costis Toregas, president, Public Technology Inc.; John Walsh, former finance director, Hartford, Conn., and immediate past president of the Government Finance Officers Association; Buford Watson, city manager, Lawrence, Kan., and immediate past president of ICMA; and Ken Anderberg, associate publisher/editor, *American City & County*. ☐

Also participating in the board discussion were Mel Powell (far left), magazine editor Ken Anderberg (left), Peter Sferrazza and Ronald Jensen (below).

REGGIE PARKER/IMAGES UNLIMITED

have to haul, we can afford to subsidize the recycling program.

Kleman: You will see more state laws requiring recycling. It's a very popular kind of program but it will be tough to do.

Jensen: Something we're looking at is waste-stream reduction. We're in a throwaway society because people have grown up with disposable products. Then you get into marketing and packaging and everything is on a big sheet of cardboard with shrink-wrap plastic on it. At Christmas, with the kids opening presents, you end up with a pile of wrapping materials and a pile of presents, and which is the biggest pile?

Can local government deal with that? Berkeley is taking on McDonalds over the non-biodegradeable plastic hamburger containers, and that may be part of a movement to somehow apply pressure to industry and manufacturing to do something about reducing the waste stream. You've got to reduce the waste stream so you don't have so much to deal with in disposal.

Plumb: It's going to be tough for the Berkeleys of the world to take on McDonalds. Ultimately, you're going to have to look at a larger level of government if you're going to have a significant national impact on packaging.

Kleman: The whole area of hazardous waste will get a lot more attention in upcoming years — everything from household hazardous waste to the siting of hazardous-waste landfills.

Toregas: We can envision local governments operating hazardous-waste collection centers in the same way that we talk about recycling common newspaper and glass. We'll see a lot more state legislatures deal with these kinds of questions. We'll be confronted with issues of siting, and in some cases, actually running or contracting someone to run these kinds of programs. As we find out more about what it is we've been putting in the ground for years, we'll find that option unacceptable.

Jensen: There are a couple other areas we've found are really tough issues. We have stopped taking liquid waste at the landfill because liquids generally contribute to leaching, and it's a major problem. So the liquid-waste haulers are really in a bind because we're cutting them off at the landfill and they won't take the waste at the sewage-treatment plant. So they don't know where to take it. The county has been taking it on an interim basis.

Hazardous waste is the responsibility of the state, but the state doesn't want to touch it. The county says we need to find a solution, that it's the city's problem. It bounces back and forth between city, county and state. Somebody, maybe a combination of governmental agencies, needs to have a special processing plant to handle that kind of waste.

The second most-pressing issue discussed by the Editorial Board was the subject of construction and maintenance of the nation's system of highways, streets and bridges. Board members rated this area nearly as high as waste disposal, with some easing of the problem occurring in the latter part of the 1990s. By the turn of the century, however, the board still expects significant difficulties to exist.

Mel Powell: We're faced with a new tax revolt (in California) called slow-growth initiatives. In Orange County, a countywide initiative will go on the ballot, probably in June, which will tie development to emergency-response time. In other words, if an emergency vehicle or a public-safety vehicle cannot get to an emergency or crime in five minutes then additional development cannot take place in that particular sector.

That impacts the building of freeways or adequate surface-transportation systems. But we don't have the money; we can't raise sufficient funds to build those. So the problem is either going to be permanent or it's going to be resolved through creative financing of some kind — perhaps toll roads.

The infrastructure problem is serious in California, and in every community growing very rapidly and facing citizen resistance. People don't want additional development and that pushes the envelope of development further out, creating crises in that area between downtown and the new development.

The federal government won't be the solution because the money's not there. It's basically the same taxpayer revolt, the same mentality, that operated to reduce property taxes.

Funnye: Stopping development is not going to happen. I wish we'd have control of it to some extent. We are allowing development that does not match the transportation infrastructure already in place.

Also, we build but we forget about maintaining. The bridge issue is very troubling. We had a bridge catch on fire that has been on our replacement list for the past 10 years. Not that it was unsafe, but we should have replaced it. We probably should be replacing anywhere from two to five bridges a year. We're not doing it. In the meantime, the bridges are getting older.

Anderberg: Will we see a trend toward private-sector contributions to building new highways or refurbishing existing roadways?

Kleman: We'll see a lot of that. You're seeing it in Florida with requirements for exactions at the time of development for road-widening projects, new road-construction activity. We'll see that more and more because there aren't many other financial choices.

One of the things troubling is that maybe for the first time in 100 or 125 years the federal government is, in large measure, getting out of the business of new transportation initiatives. We don't have a new interstate highway system to take the place of the old. We don't have much commitment left for mass transit or public transportation coming out of the federal government. As the country continues to grow, it will be tougher and tougher to finance transportation systems without that kind of involvement.

We're going to see a continuing problem that won't get a lot better. We're going to recognize that there is a problem and then we're going to do a lot of things. Some of them will be wrong and some will be right, but I'm not sure we're going to have the capacity to make transportation much better.

Plumb: When you look at the problem, it's going to stay at a crisis level for a long time, simply because we're looking at staggering numbers. No matter how many private bridges there'll be, or how many toll roads you build, or how much you use impact fees — which will definitely be a wave of the future — you're still looking at enormous input from the public sector to maintain it. Until there's some kind of resolution of the deficit cloud we live under, so there can be some kind of investment again at the federal level, it's going to be at a crisis level for a long time.

The numbers are horrendous. You're looking at annual needs for roads and highways of $75 billion and annual federal outlays of $14 billion. State and local governments, and the user fee concept, are not going to make up the difference.

Awards of Merit Accepting Entries

Outstanding local projects will be recognized by the *American City & County* Awards of Merit. Entries now are being accepted in the categories of buildings and grounds maintenance and construction; economic development; office automation; parks and recreation; solid-waste collection and disposal; street/highway/bridge construction and maintenance; traffic and public transit; wastewater collection and treatment; and water supply.

The deadline for award entries is July 29. An entry form, with more details, appears in this issue. ☐

Toregas: We usually think of the federal role as money. But our central government's machinery 100 years ago kind of led us somewhere, irrespective of who paid or how the bill was split when it came time to pay. After seven years of a Washington mentality basically saying government is bad, maybe we have forgotten how to think about a role of government that is a positive role — irrespective of whether it's a financing role or a melding of ideas. There is a role to say there are some issues so staggering that only when we unite our resources at the national level can we produce a result.

There's a major distinction to be made between operating subsidies and maintenance. Maintenance devolves directly into infrastructure investment. If you maintain it well today, you don't have the major problems. When you go over to England and some other countries, you see very few potholes, the sidewalks look beautiful, and you ask what's the secret? The secret, of course, is not that you go out once every 30 or 40 years on an emergency campaign. It's that you finance on a yearly basis the maintenance of that infrastructure.

Plumb: As an elected official, when you've got a budget and constantly are looking at shortfalls and ways to cut back, what do you do when you've got 25 people from the day-care industry in front of you and nobody in front of you asking to maintain the roads. There's no constituency (for roads).

There's got to be a mentality that we have this incredible asset (infrastructure). If you own a house, you don't let that fall down around your ears. You

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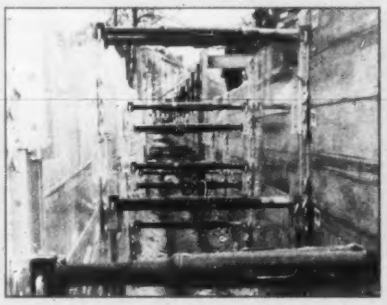
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maintain it. The public can understand that.

Funnye: Mass transit is the wave of the future. We cannot build anymore to accommodate the single-occupancy vehicle. The days of throwing concrete after a transportation problem are gone. Why don't we just think in terms of banning all cars in the central business district between the hours of 6 a.m. and 6 p.m.? That way you can ride bicycles, or walk, or use mass transit. There's just no way we're going to continue to allow the automobile because nobody will be moving.

Watson: In European cities, when they have a plan, they mean it. Our plan is political. If you don't like what's happening, you run for office, beat the incumbent, and put your plan in. When they set a line at the edge of Bologna or Dusseldorf, and say, "That's where you're going to stop development and this is where people are going to live," they mean it.

Toregas: On the mass-transit side, there is no support anymore for a national role in terms of money, but at the same time, the systems we have laid out have not been maintained. As a consequence, we're going to have a collapse in our transportation system.

Plumb: We need to make some real sociological changes before mass transit is going to work. We're going to have to change an entire mind-set because by the time we get to the level of financial pain that's going to drive people onto the bus, the deterioration of our transportation systems may be irreparable.

Jensen: Isn't the big issue whether we're going to be proactive or reactive? In the past, we've reacted, and if we continue in a reactive state we'll wait until we have gridlock before doing something. Then it's difficult, if not impossible, to correct. If we followed some type of proactive plan, it would be a whole lot cheaper and more convenient.

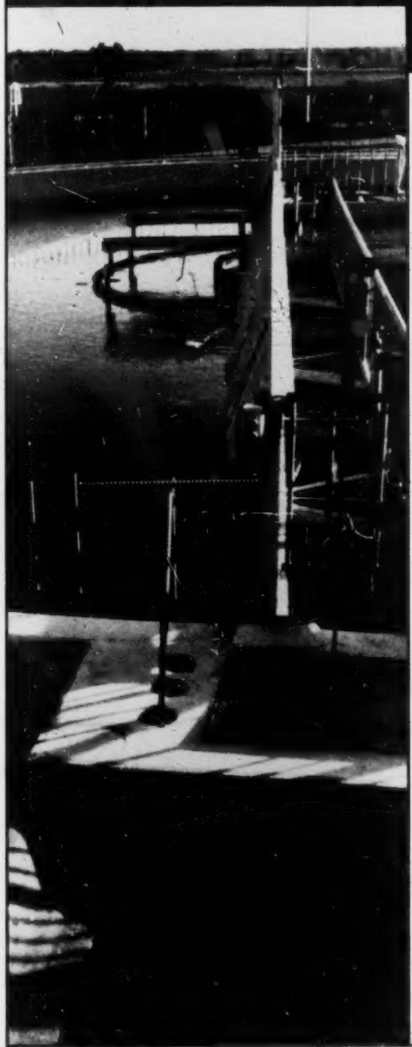
Powell: American government never can be proactive effectively. Our problem in transportation, in terms of sprawl, is cultural. We're not like the Europeans. Americans want single-family homes, where their children can play in the backyard, where they can be away from crime downtown, where everyone has a small estate. This is the American dream, and we support it with cars. We're a car-dependent society.

Europeans do not have suburban sprawl. They have urban development and they develop to the book on zoning. You leave the city and you're in the country. It's not a series of houses getting farther and farther apart. It's controlled. We don't have that kind of control, because the developers will always buy land that is cheapest, that is farthest away from the infrastructure, from transportation corridors. Then through politics they will force the infrastructure to come to them. That's the American way.

> *"The infrastructure problem is serious ... the federal government won't be the solution."*

Plumb: The question is can we deal with that? We not only support it with highways, we support it with the mortgage deduction and the tax system. Are there ways that we can be aggressive through urban-planning mechanisms to control the situation? In fact, is there a role for government to play in trying to alter that psychology?

Toregas: I agree with Mel's analysis but I don't agree with the pessimism we can never change. We have procedures such as strategic planning that are good techniques to coalesce a community in a meaningful coalition to effect change. The gravity of the crisis is enough to provide positive pressure to change. □



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MUNICIPAL COST INDEXES

Three of the four indexes rose 0.3 percent from last month, with the **Producer Price Index** increasing 0.1 percent, to 104.6. The **Municipal Cost Index** began another rise, to 113.1. This is the second consecutive increase since the index fell for the first time in more than a year. The **Construction Cost Index** rose to 116.7, while the **Consumer Price Index** increased to 116.0.

Portland cement dropped 1.0 percent, while concrete products maintained a steady 109.6. Construction sand and gravel fell to 120.0, and construction machinery read 110.9.

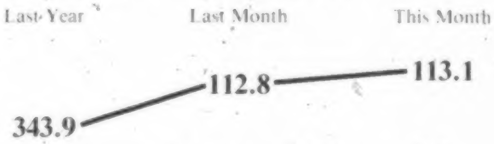
— Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	112.0	1.1	2.9
Apparel	109.8	0.5	2.2
Asphalt Roofing	92.7	−1.7	1.3
Chemicals, Industrial	98.4	−0.9	6.0
Coal	96.7	2.1	−2.6
Concrete Products	109.6	0	0.2
Construction Machinery	110.9	0.3	2.8
Diesel Fuel	51.5	−5.7	−2.5
Electric Components	115.8	0	0.3
Electric Lamps	122.1	0.6	1.2
Electric Power	108.0	−0.9	−0.3
Engines, I.C.	110.7	0.4	1.4
Fans, Blowers	112.5	−0.5	1.7
Fertilizers, Mixed	103.7	0.6	11.4
Floor Coverings	112.3	0	2.3
Flow Instruments	116.1	0.3	3.1
Footwear	114.2	1.3	6.2
Foundry Products	107.4	0.3	2.2
Fuel Oil No. 2	51.9	−6.5	− 3.7
Furniture	121.3	0.1	3.6
Gasoline	53.8	0	−2.4
Generator Sets	119.4	1.2	4.3
Glass	108.8	0.5	3.0
Glass Containers	112.5	−0.1	−0.8
Gypsum Products	115.1	−4.5	−12.7
Hardware	111.9	0.4	2.8
Heating Equipment	116.3	0.6	0.8
HVAC Controls	113.7	−0.3	0.3
LP Gas	52.8	−3.8	−2.4
Lubricants	102.9	0.8	2.7
Lumber	131.5	−0.1	6.9
Metal Fabrications	110.0	0.5	6.0
Millwork	120.2	0.5	4.5
Motor Vehicle Parts	106.1	−0.3	2.0
Mowers	113.1	0	1.4
Natural Gas	77.4	−1.4	−1.9
Office Machines	105.8	−0.1	2.9
Paint	110.9	−0.1	7.5
Paper	118.7	0.5	6.9
Passenger Cars	111.6	−0.6	−0.4
Plumbing Fixtures	123.7	1.6	4.5
Plywood	104.2	−1.3	1.9
Portland Cement	102.4	−1.0	−0.2
Residual Fuel	44.1	−3.7	−16.9
Sand, Gravel	120.0	−0.2	2.8
Sanitary Papers	109.6	0.6	0.6
Soaps, Detergents	111.5	0.1	3.1
Sporting Goods	105.3	0.5	4.1
Steel Mill Products	107.7	0.4	6.7
Struc. Clay Products	123.4	0.2	3.3
Switchgear	111.2	0.6	2.1
Tires, Tubes	93.5	0.6	2.5
Transformers	107.8	0.9	0.9
Trucks	110.8	0	−2.6
Valves	110.6	0	2.4
Wire, Cable	130.1	−2.5	28.6
Wiring Devices	121.6	0.4	3.8

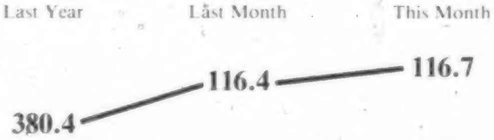
At-A-Glance Changes

MUNICIPAL COST INDEX



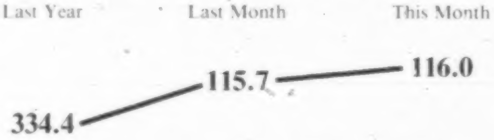
Percent Change From Last: Month **0.3** Year **3.6**

CONSTRUCTION COST INDEX



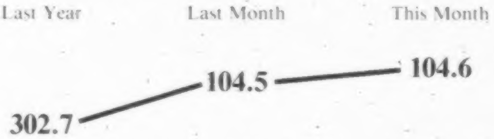
Percent Change From Last: Month **0.3** Year **2.5**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.3** Year **4.5**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.1** Year **4.5**

These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	657.6B	1.0	5.0
Federal Grants	103.5B	−2.4	− 5.5
Durable Purchases	27.8B	3.0	11.6
Consumables	44.6B	3.5	16.7
Services	413.1B	2.1	8.2
Structures	61.4B	−2.1	− 1.8
Salaries, Wages	325.6B	1.8	7.8
Surplus	87.5B	2.9	10.0
Employment	14.280M	0.3	1.8

Exclusive Survey:

Coping With Cutbacks

By John Sequerth, Managing Editor

Municipal finance officers could have used a double dose of Rolaids during the past year. With the federal deficit bulging to $2 trillion, the United States went from the world's biggest creditor to its biggest debtor during the 1980s. Attempting to trim the deficit, the president and Congress slashed aid to localities, including the elimination of General Revenue Sharing.

The Tax Reform Act of 1986 has limited the activities qualifying for tax-exempt financing and eliminated arbitrage, the practice of investing proceeds from tax-exempt issues. "Tax reform has been a disaster for local governments," said one city administrator from a Mid-Atlantic state. "Our indebtedness options have been strictly limited. The cutback in federal financing in housing and utility-infrastructure improvements have come at a time of increasing need and local financial hardship."

Liability insurance remained not only hard to find, but outrageously expensive. Then, the stock market crashed on Oct. 19, 1987, leaving finance officers confused and concerned.

How are local governments coping? *American City & County* polled 1,000 local administrators and finance officers on issues ranging from the federal deficit to state revolving loan funds. More than 38 percent of the surveys were returned. Ninety-five percent of the respondents represented city governments. Cities with less than 50,000 residents accounted for 78 percent of that total.

Since increased federal support of local-government operations is unlikely with the massive deficit cloud hovering over Washington, local officers were asked how they would prefer the deficit be reduced. Nearly 43 percent said spending should be cut and 6 percent said taxes should be raised. Almost half (48 percent), however, said a combination of spending less and taxing more was the preferred solution.

This opinion jibes with one proposed deficit-reduction plan. "It would be wonderful if the budget could be narrowed without raising taxes," plan proponents said. "Wonderful, but impossible." While the proposal called for new taxes targeting consumer consumption, such as energy products and even cigarettes, half of the respondents to the *American City & County* survey said corporate taxes should be raised.

Thirty-seven percent supported higher oil-import fees, 34 percent backed increased excise taxes and another 28 percent approved of higher gasoline taxes. Adding a dime to the gasoline tax, for example, could raise nearly $9 billion and dent the nation's $840-million-a-week bill for energy products. Many survey respondents noted gasoline taxes should be reserved for the highway trust fund and not used for deficit reduction.

Not surprisingly, raising individual income taxes was favored by only 27 percent.

Ideally, in the aforementioned proposed deficit-reduction plan, "every dollar of additional tax revenue should be matched by $2 of spending cuts." Cutting the federal budget has proven to be an arduous task. Defense spending, Social Security and interest payments on the $2-trillion debt account for more than 60 percent of all federal-government spending.

At the recent Congressional-City Conference sponsored by the National League of Cities, Sen. George Mitchell of Maine suggested redistributing the cost of defense among America's allies as a way to reduce the deficit. Current foreign-aid policies were conceived in the aftermath of World War II, he said, when the United States was dominant economically and militarily, adding the nation can no longer afford such expenditures.

"For over four decades, the United States has borne a wholly disproportionate share of that burden," Mitchell said. "We can no longer afford to permit our economic competitors to pour their resources into the economic contest, which we are losing, and we have to re-order our international priorities."

Mitchell has support from survey respondents, with nearly three-fourths wanting cuts made in foreign-aid outlays. Decreased military spending also was favored by 53 percent.

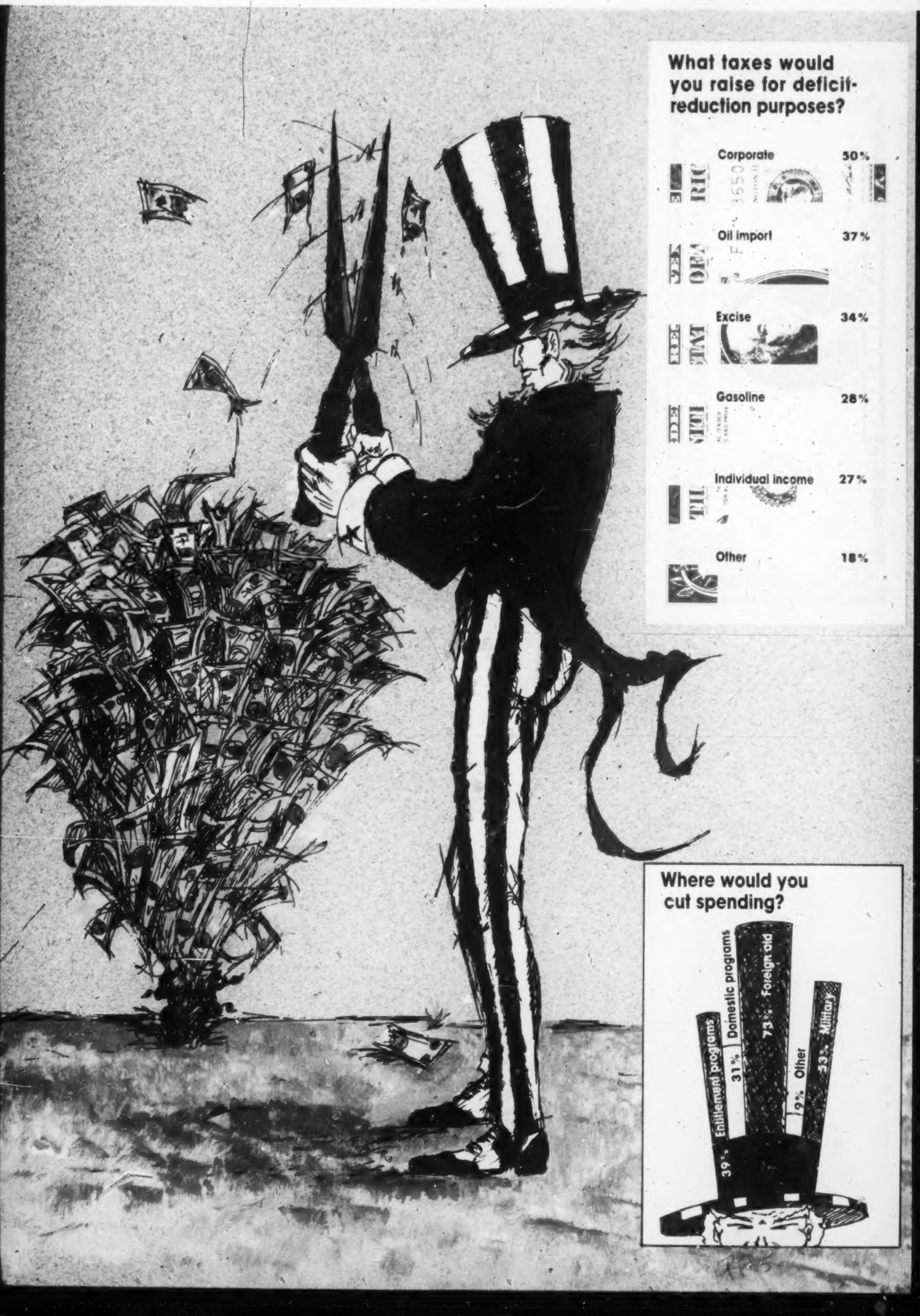
Entitlement programs also are under fire. Last fall, President Reagan said, "Everything (in the budget) is on the table, with the exception of Social Security." That was not always the president's position, but he learned the forces behind Social Security are so strong they have made it a "sacred cow." When the president proposed cutting Social Security benefits in 1981, the Republican-controlled Senate rebuffed him 96-0.

Spending of all kinds for the poor, including welfare, Medicaid, housing and food, adds up to $69 billion a year — just 7 percent of the total budget. Nearly 40 percent of the survey respondents said entitlement programs should be scaled down. Despite the lobbying efforts of city and county organizations against further cuts in domestic spending, 31 percent of the respondents said more domestic cuts were necessary.

At the same time the federal government is withdrawing financial help to communities, federal mandates are being imposed for water, wastewater and clean air. The Tax Reform Act of 1986 also limited tax-exempt financings and eliminated arbitrage. One treasurer of a Western city with more than 100,000 residents bemoaned the "continuing trend of higher levels of government dropping programs with the expectation that lower levels will pick up the slack with no increase in revenue."

To cope with reduced aid, 63 percent of the local governments responding to the survey said user fees were being imposed or raised. Forty-eight percent were forced to raise taxes, while 30 percent reduced service delivery. Privatizing services enabled 22 percent to cut costs. In cities and counties with more than 50,000 residents, user fees were imposed or increased by

ILLUSTRATION AND CHARTS BY ROBERT CLARK



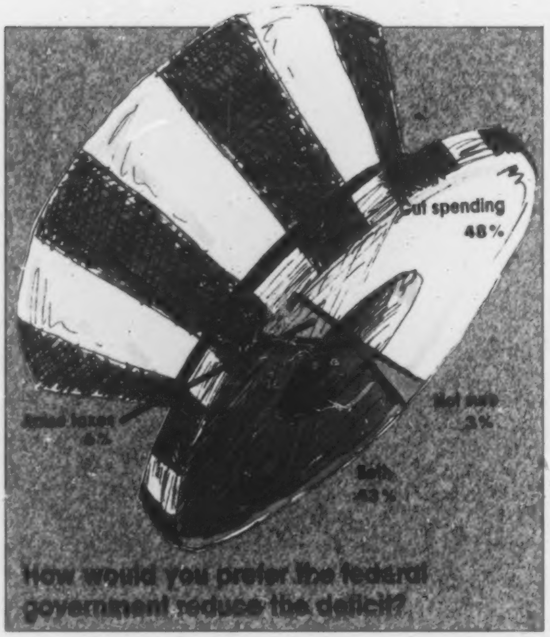
What taxes would you raise for deficit-reduction purposes?

Corporate	50%
Oil import	37%
Excise	34%
Gasoline	28%
Individual income	27%
Other	18%

Where would you cut spending?

39% Entitlement programs
31% Domestic programs
73% Foreign aid
9% Other
33% Military

nearly four of five respondents.



How would you prefer the federal government reduce the deficit?

When asked which services were reduced, infrastructure repair topped the list with 30 percent, while social services were named by 16 percent. Social services suffered more in larger cities and counties, with 29 percent reducing funds. Garbage collection (7 percent) and housing rehabilitation (6 percent) also suffered.

Interest in privatization remained high. Half of the respondents said they were more likely to privatize today than five years ago. Another 43 percent were equally inclined, while only 7 percent were less likely to consider the private approach.

Many survey respondents reacted negatively to federal and state mandates not accompanied by federal or state funds. "Reduced federal expenditures under the Clean Water Act are a concern," said a village director of finance from the Northeast. "Where will communities get funds for expensive sanitary-sewer systems? Property owners already are overburdened by school taxes."

State revolving loan funds were designed to help communities finance improvements such as wastewater-treatment plants. According to the survey results, the jury is still out on the usefulness of the revolving loan funds, compared to relying on federal funds. In fact, 44 percent said they were not sure. Twenty-two percent said the funds were less useful, 18 percent rated them about the same, and 13 percent said they were more useful.

While the federal budget and the local-government response to it dominated the survey, other topics also were included.

Lease or purchase? When asked about their community's equipment-procurement process, 49 percent said they usually purchase, 24 percent sometimes lease, and 23 percent lease and purchase. Only 1 percent usually lease. Fifty-five percent of local governments with populations less than 50,000 said they usually purchase equipment, while only 35 percent of larger entities listed "usually purchase" as the preferred option.

The crash. When asked what effect the Oct. 19 stock-market crash would have on local government, more than half (51 percent) said "little effect," while 31 percent said it was too early to tell. Only 2 percent said the crash would have a "profound" effect and 15 percent said "moderate." Two areas would be most affected, according to the respondents. Thirty-three percent said pension funds would feel the impact most, whereas 28 percent mentioned municipal bonds as the area hardest hit.

Globalization. Foreign investment in the United States is well documented, but are communities actively seeking foreign investors? Most are not, according to the survey, with just 12 percent answering affirmatively. About one-third of the counties with more than 50,000 residents, however, are seeking foreign investment for their communities. Of those trying to attract international businesses, 33 percent of the responding communities were from the Southeast and 31 percent were located in the Midwest.

Not surprisingly, Japan was the most frequently sought foreign investor. Approximately 84 percent of those seeking foreign investment mentioned the Japanese, followed by Germany 22 percent, Great Britain 20 percent and France 16 percent. Thirty-one percent were seeking other foreign investors.

Liability insurance. High costs remain a major concern among local administrators, forcing communities to look toward many insurance options to stay covered adequately. Fifty-two percent of the survey respondents joined an insurance pool, 44 percent tried self-insurance and 7 percent have been forced to "go bare" — without liability insurance. Thirty-five percent have improved safety standards, 15 percent have raised taxes and another 6 percent have increased user fees.

Welfare. No consensus was reached on whether states should assume funding and operational responsibility for welfare programs. Thirty-nine percent favored state control and 30 percent were opposed. Twenty-nine percent remained undecided. The numbers were switched among larger communities, however, with 33 percent favoring state control and 39 percent opposed. Again, a large number (27 percent) were undecided.

The two areas, however, generating the most comment were tax reform and federal mandates not accompanied by federal financial support. Eliminating arbitrage was particularly unpopular. "Refunding interest to the federal government from notes and bond sales is ridiculous," said a comptroller from a Northeast city of more than 50,000 residents. "These issues should always be tax exempt."

Many respondents said the federal government was simply passing the buck of responsibility. "Coping with the federal deficit is being construed as passing on services and responsibilities to state and local governments without passing on sources of funds to pay for those services," said a finance director of a small Southeastern city.

Taxpayers are not being well served by the change, according to some respondents. "Federal and state governments have greater resources than local governments," said a city administrator from another small Southeastern community, "yet local government has to really provide direct services. The feds and state waste tremendous amounts on monitoring programs, making sure regulations are followed. This provides no real service to taxpayers."

"The federal government expects more from states and states expect more from local government," said an assistant city manager from a Southwestern city. "The taxpayer pays in the end." □

Tax Changes Usher In a New Era

With only a year and a half since its final adoption, the Tax Reform Act of 1986 stands undeniably as a watershed event in the history of municipal finance. The legislation has changed dramatically the volume, structure and mixture of debt being issued by state and local governments across the country.

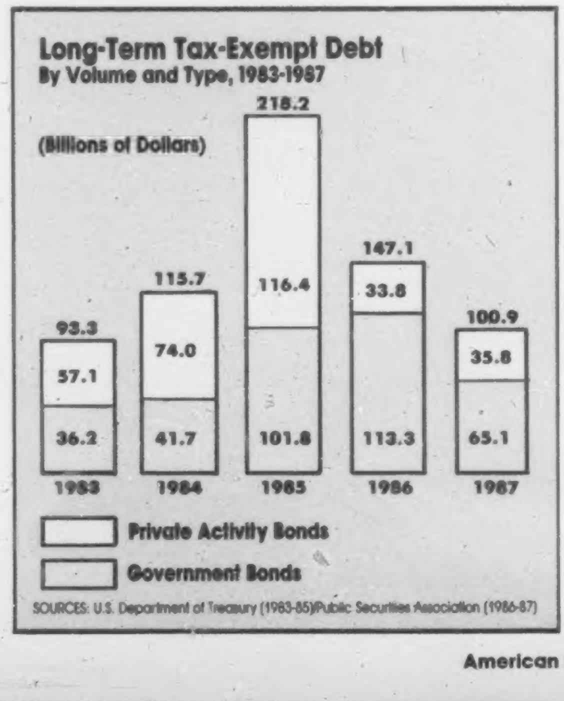
Significantly, however, the new restrictions have not yet had their full impact on municipal bonds. The transition to the post-tax-reform era continues. Meanwhile, countervailing forces already are at work in Congress: one to ease the 1986 restrictions, the other to tighten them further.

Among the myriad provisions of tax reform, two areas are having the most profound effect on state and local governments.

The practice of arbitrage, in which the proceeds of tax-exempt issuance were invested in higher-yielding securities, virtually has been eliminated. Effective September 1986, municipal borrowers must track and rebate arbitrage profits to the federal government, a costly administrative and reporting burden.

Also, the types of activities qualifying for tax-exempt financing have been curtailed greatly. This narrowing of eligibility is being phased in over several years.

The implications of tax reform only can be understood when seen against the growth of municipal debt in the last decade. Long-term tax-exempt borrowing increased from $46.9 billion in 1977 to $115.7 billion in 1984, the last year before the onslaught of tax reform. Borrowing for traditional public purposes such as infrastructure and government facilities, however, rose from $29.5 billion to only $41.7 billion.


Long-Term Tax-Exempt Debt
By Volume and Type, 1983-1987

SOURCES: U.S. Department of Treasury (1983-85)/Public Securities Association (1986-87)

In contrast, marked growth occurred in the use of tax-exempt financing for various non-governmental enterprises. Included in these activities were economic-development projects, single-family mortgage subsidies, multi-family residential housing, pollution control, higher education and hospitals. By 1984, this so-called "private activity" financing comprised 64 percent of long-term debt issues, a $74-billion amount, up from $17.4 billion in 1977.

Along with the controversy of municipal borrowers earning arbitrage profits, the mushrooming of these non-governmental projects received the most scrutiny from tax reformers in congressional committees and the Department of Treasury. The final legislation made sweeping changes, eliminating several major categories of tax-exempt projects. The law subjected most other activities, where private enterprise is involved, to statewide volume caps of $75 per capita in 1987 and $50 per capita in 1988 and thereafter.

The effect is dramatic. Based on the 1988 limits, estimates indicate $44 billion of the $74 billion of private-activity bonds issued in 1984 would no longer qualify for tax exemption.

In the interim period, however, between the pre-reform year of 1984 and the current 1988 year (when the caps are fully effective), the market has witnessed a roller-coaster pattern of debt issuance. The Department of Treasury first circulated its tax-reform proposals in late 1984. Anticipating the restrictions, tax-exempt borrowers raced to market during 1985 in a year unparalleled in the municipal-bond industry. Volume nearly doubled to $218.2 billion. Private-activity bonds grew to $116.4 billion and governmental bonds to $101.8 billion.

The surge came to a partial end in 1986. According to data generated by the Public Securities Association (PSA), private-activity volume fell sharply to $33.8 billion. Uncertainty over the final provisions and effective date of the pending legislation put most private-activity issuance in risk of retroactive loss of tax-exemption. By contrast, governmental bond issuance continued to surge, to $113.3 billion, as state and local borrowers sought to build a pool of debt that would not be subject to the arbitrage provisions.

In 1987, the first full year under the new legislation, the downward slide in debt issuance continued. With the new arbitrage rules now in place, the volume of governmental bonds fell to $65.1 billion. Private-activity bonds now were subject to the statewide volume caps of $75 per capita — a limitation that aggregated to $21.5 billion nationally.

Interestingly, however, much of this capacity went unused. According to PSA, of the year's total private-activity issuance of $35.8 billion, $14.4 billion was for refunding old debt — an activity not covered by the caps. Another $8.6 billion was for certain categories of new debt, largely hospitals and universities, which also are excluded from the caps. The remaining $12.8 billion was for "capped" projects — only 60 percent of the allowable $21.5 billion.

PUBLIC FINANCE '88

[redacted]

Why did state governments and their municipal subdivisions fail to use their full borrowing authority for private-activity projects in 1987? Two reasons seem apparent. First, many issuers still had funds available from their heavy 1985 borrowing. Second, the 1986 Tax Act contains numerous complexities still being digested by government finance officials. The result was most states lagged in private-activity financing, with only 12 states coming close to their permissable limits.

This situation is likely to change in 1988. Volume caps now have dropped to $50 per capita — an aggregate level nationally of $14 billion. Twenty states issued more private-activity bonds subject to cap in 1987 than they will be able to issue this year. Moreover, the majority of issuers probably have exhausted their 1985 funds and have figured out the wrinkles of the new law. Admittedly, the unused capacity from 1987 can be carried into the new year. Nonetheless, 1988 should be the year when most states finally experience the true constraints of tax reform — especially in areas such as economic development and housing.

The consequence for long-term tax-exempt issuance in 1988 is clear. Overall volume will be the same, or perhaps even less, than in 1987. Presumably, the well-documented capital needs of state and local governments suggest steady future growth of new traditional-purpose financing. But the extent of that growth is limited in any single year by the restraints of fiscal capacity. In short, 1988 marks the real start of the new era in municipal finance. This era will be a time of relative stability, when contrasted to the growth of tax-exempt financing that characterized the years before and during tax reform.

One interesting trend to watch in 1988 and future years will be the extent to which municipal borrowers turn to the taxable market. Many projects now deprived of tax-exempt financing, in theory, could be undertaken without the indirect subsidy of the federal government. To date, however, municipal borrowers have proceeded slowly down this road.

Taxable municipal debt was issued at levels of $4.5 billion in 1986 and $3.7 billion in 1987. The costs are higher and the maturities are shorter than in tax-exempt municipal bonds. Nonetheless, taxables may grow in popularity as they become more familiar and as the impact of the volume caps hits home. But it will be many years before taxable financing can replace the 1984 level of $44 billion in private-activity bonding wiped out by tax reform.

Another interesting development to watch is growing support in Congress to modify the restraints of the 1986 act. In the Senate, David Durenberger of Minnesota has introduced a bill increasing the volume caps to $125 per capita, removing multi-family housing from the volume caps, and eliminating the sunset of industrial revenue bonds. Similarly, Sens. Patrick Moynihan of New York and Peter Domenici of New Mexico plan to conduct hearings and introduce legislation easing some of the 1986 restraints.

In the House of Representatives, a bill modifying the arbitrage rules and private-use definitions for small municipal issuers has more than 30 co-sponsors. In both houses, legislation has been proposed to extend the sunset date for single-family mortgage-revenue bonds through 1992. These initiatives reflect congressional concern about the impact of the 1986 tax reform on the ability of state and local governments to finance capital needs.

That concern, however, runs smack against the reality of the national budget deficit and the inevitability of further measures to enhance federal revenues. Strong sentiment exists in the House Ways and Means Committee, in particular, to go beyond even the 1986 act in restricting the levels of tax-exempt debt.

In the midst of these differing viewpoints, Rep. Beryl Anthony of Arkansas has formed a task force of experts in government and industry to review the overall situation and, especially, double check the Treasury Department estimates of the revenue impact from tax-law changes. Some members of Congress contend Treasury numbers overestimate the revenue gains stemming from the 1986 restrictions on municipal borrowers. Resolution of this fundamental issue of methodology may help shape the larger policy debate. ☐

Tax Reform Restricts Private-Activity Bonds

Tax-exempt financing for projects involving nongovernmental entities reached its pinnacle in 1984, prior to the distorting effects of tax reform. The composition of the $74 billion in so-called private-activity bonds that year included industrial development and industrial parks ($18.3 billion), single-family mortgage subsidies ($12.8 billion), non-profit organizations such as universities and hospitals ($11.7 billion), and pollution control ($8.1 billion).

The Tax Act of 1986 substantially curtailed the projects that could be undertaken with private-activity bonds:

- **Tax exemption was eliminated as of August 1986 for private pollution control, parking garages, and sports, convention and trade-show facilities. Single-family mortgage-subsidy bonds and small-issue industrial-development bonds received sunsets effective in 1989 and 1990, respectively.**
- **Volume caps were established for each state of $75 per capita in 1987, dropping to $50 per capita in 1988 and thereafter. Activities subject to these caps include multi-family housing, neighborhood redevelopment, and facilities for water, sewer, energy, solid-waste disposal and hazardous wastes (when privately owned).**
- **To avoid circumvention of the volume caps, traditional governmental bonds were subject to tests in which no more than 10 percent of the facilities they finance can be used or secured by private enterprises. Any private use in excess of $15 million on a governmentally bonded project falls within the volume-cap allocation.**
- **Governmentally owned airports, docks, wharves and solid-waste facilities may include private use and not be subject to the volume caps. Projects of non-profit organizations also are excluded, although universities are limited to $150 million in bonds outstanding.**

The application of these restrictions means only $30 billion of the 1984 total of $74 billion in private activity still could be financed on a tax-exempt basis in 1988. ☐

This article was prepared by staff members of the Municipal Securities Division of Marine Midland Bank, New York.

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Safety in the Sewers ◆ Uncrowding Local Jails

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JUNE 1988

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Hundreds, even thousands, of natural and man-made pollutants can threaten public water supplies and health. The millions of people who live in the Ohio River Valley got a first-hand lesson in January, when one of the nation's largest inland oil spills contaminated their water supply. How did their local officials cope with the catastrophe? What did they learn? Could such an accident happen again, and how can other American cities and counties prepare for it?

Six months have passed since an Ashland Oil Co. storage tank in Pittsburgh collapsed, dumping more than 3 million gallons of no. 2 diesel fuel into the Monongahela River. The spill brought to light a dilemma every water supplier or manager faces — what to do when the potable water supply is contaminated. There have been dozens of other spills and accidents of equal or greater magnitude than the one last January. But what works for one oil spill may not work for another. Also, chemical spills and accidents involving hazardous materials require totally different treatments. As a re-

(*continued on page 34*)

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Oil on the Ohio

Lessons Learned

By Tim Darnell

AWWA Show Issue

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June 1988 Vol. 103, No. 6

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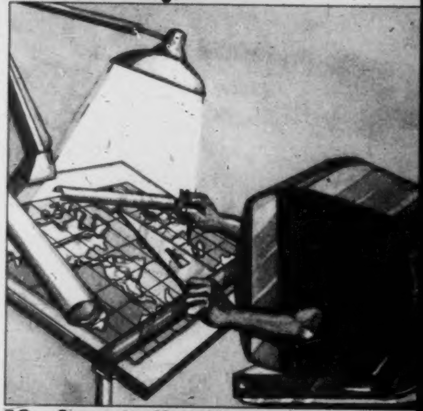
Cover photography by Vince Musi, SIPA/Pittsburgh Press

66 Sewer Danger



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EDITOR'S VIEW

The Continuing Crises

The picture in a recent brochure from consulting engineers Brown & Caldwell spoke volumes. Here was a monstrous, gaping hole, nearly a block long, extending into yards of homes on both sides of the street, and deep enough to engulf the houses on either side. The street was gone, gobbled up by a collapsed sewer line.

This was no scene from the "infrastructure crisis" of 1988. This picture was 31 years old.

The infrastructure crisis is not new; neither are the more people-oriented concerns of poverty, hunger and homelessness. As evidenced in the pages of *American City & County* during the past 80 years, local governments continually have struggled to provide services to citizens, and to somehow maintain and improve infrastructure facilities. The term "crisis" crops up throughout those eight decades of publishing.

But crisis is defined as a "turning point," as an opportunity to make choices and to renew dedication. Crisis also presents the chance for creativity and innovation, for public-sector "inventors" and entreprenuers to use the necessity of the time to bring together partners and new ideas. It is a time for cooperation and innovation.

America's local governments periodically must be jolted into creative action, as they are now, when more-convenient, although not necessarily better, methods of providing services are taken away. Throughout the country's history, crisis — the true Mother of Invention — has resulted in improvements for the nation's cities and counties.

That is true today as much as any time in American history, when declining federal assistance, decaying infrastructure and poverty-related problems are taxing local resources beyond their limits. But local public officials are coping — through partnerships between governments and the private sector, modernization of facilities and processes, new technology, and innovative financing arrangements.

Governments are cooperating among themselves more in an effort to pool resources for such services as water supply and waste disposal. Seven cities in Illinois worked together to improve their water supply (1987 *American City & County* Award of Merit winner), as did six governmental units in Ottawa County, Mich., and two near St. Louis (1986 Award of Merit). Nine counties in Minnesota combined to build a waste-to-energy facility in Fergus Falls, Minn. So did 33 communities in Connecticut.

New technology, too, has played a role, often finding eager innovators among public officials.

In San Jose, Calif., water-conservation devices are being installed in 13,000 homes, with the goal of reducing wastewater flows by 10 percent and eliminating the need for a proposed $64-million treatment plant. New geographic mapping and infrastructure-maintenance systems (as discussed in this issue) are helping streamline public-works and utility billing operations.

Microwave teleconferencing (in this issue) is reducing judicial costs in Florida. Computer-controlled sensors imbedded in roadways are helping Chicago lower its snow-removal costs. New paving fabrics have reduced future maintenance needs, and in Tustin, Calif., a voice-mail system is improving the productivity of city personnel.

Innovative financial techniques also are helping local governments deal with today's crises. Tax-amnesty programs in Massachusetts and Philadelphia have recouped millions of dollars. In Fort Worth, Texas, citizens eagerly bought up city bonds, with proceeds earmarked for infrastructure improvements. Florida communities are leading the way in assessing impact fees on new development to pay for infrastructure additions and improvements that such development demands.

Cities, counties and states are learning to work with each other, for the benefit of all, in finding new solutions to old problems. They are actively involving the private sector in these new partnerships, a necessary step in bringing the entire resources of a community to bear on common problems. Such public/private partnerships manifest themselves not only in contracting out or privatization programs, but also in activities such as those ongoing in St. Paul, Minn., to help the hungry and homeless.

Perhaps crisis is what it takes to spur these innovations. Perhaps the street has to cave in before action is taken. Or maybe the new ideas are always there and are just more noticeable when our consciousness is raised. Whatever the reason, our current "crisis" is just the latest challenge to local governments. They have responded before, and they obviously are doing so again. ☐

— Ken Anderberg

MUNICIPAL COST INDEXES

All four indexes registered slight increases in June, with the **Consumer Price Index** showing the most gain, 0.4 percent from last month's 116.0. The **Municipal Cost Index** rose 0.3 percent from May's 113.1. The **Producer Price Index** also climbed 0.3 percent, to 104.8, while the **Construction Cost Index** indicated the least gain, a 0.2-percent rise to 116.9.

Several commodities dropped from last month, including coal, diesel fuel, fuel oil no.2, and gasoline. Residual fuel dropped the most from last year, 16.1 percent to 42.2, while LP gas rose 2.7 percent.

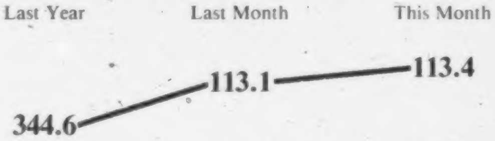
—Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Percent Change From: Last Year
Air Conditioners	112.2	0.2	3.1
Apparel	109.6	-0.2	1.4
Asphalt Roofing	93.6	-1.0	3.1
Chemicals, Industrial	102.4	4.1	9.3
Coal	96.3	-0.4	-2.7
Concrete Products	109.8	0.2	0.5
Construction Machinery	110.9	0	2.3
Diesel Fuel	50.3	-2.3	1.2
Electric Components	116.0	0.2	1.1
Electric Lamps	122.2	0.1	0.7
Electric Power	107.8	-0.2	-0.8
Engines, I.C.	111.0	0.3	1.6
Fans, Blowers	112.2	-0.3	1.3
Fertilizers, Mixed	104.3	0.6	7.4
Floor Coverings	112.3	0	2.8
Flow Instruments	115.8	-0.3	2.5
Footwear	114.3	0.1	5.4
Foundry Products	108.1	0.7	2.8
Fuel Oil No. 2	49.3	-5.0	-1.8
Furniture	116.7	0.3	4.2
Gasoline	53.6	-0.4	-2.7
Generator Sets	119.5	0.1	4.4
Glass	109.3	0.5	2.3
Glass Containers	112.5	-0	-1.1
Gypsum Products	115.0	-0.1	-9.5
Hardware	112.2	0.3	2.9
Heating Equipment	116.4	0.1	0.6
HVAC Controls	113.9	0.2	0.4
LP Gas	54.2	2.7	-4.4
Lubricants	103.7	0.8	5.2
Lumber	132.3	0.6	6.5
Metal Fabrications	111.5	1.4	7.2
Millwork	120.8	0.5	4.0
Motor Vehicle Parts	106.4	0.3	0.2
Mowers	113.0	-0.1	1.2
Natural Gas	77.3	-0.1	-6.1
Office Machines	106.2	0.4	2.9
Paint	111.6	0.6	7.4
Paper	119.7	0.8	9.4
Passenger Cars	111.5	-0.1	-0.3
Plumbing Fixtures	125.2	1.2	5.8
Plywood	103.5	0.7	0.1
Portland Cement	102.5	0.1	-0.7
Residual Fuel	42.2	-4.3	-16.1
Sand, Gravel	119.7	-0.3	2.0
Sanitary Papers	109.8	0.2	0.5
Soaps, Detergents	111.7	0.2	3.3
Sporting Goods	105.1	-0.2	3.5
Steel Mill Products	108.1	0.4	7.3
Struc. Clay Products	123.9	0.4	3.4
Switchgear	112.4	1.1	1.9
Tires, Tubes	93.3	-0.2	3.1
Transformers	108.2	0.4	1.2
Trucks	110.9	0.1	-2.3
Valves	111.5	0.8	3.1
Wire, Cable	124.1	-4.6	22.1
Wiring Devices	122.5	0.7	4.5

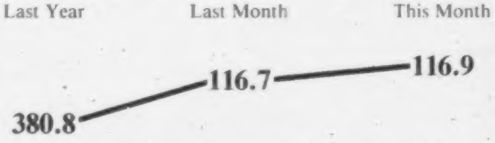
At-A-Glance Changes

MUNICIPAL COST INDEX



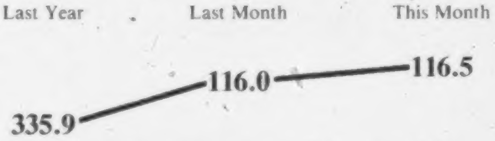
Percent Change From Last: Month **0.3** Year **4.1**

CONSTRUCTION COST INDEX



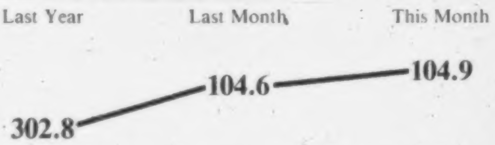
Percent Change From Last: Month **0.2** Year **2.8**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.4** Year **4.6**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.3** Year **3.7**

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Percent Change From: Last Year
Receipts	657.6B	1.0	5.0
Federal Grants	103.5B	-2.4	-5.5
Durable Purchases	27.8B	3.0	11.6
Consumables	44.6B	3.5	16.7
Services	413.1B	2.1	8.2
Structures	61.4B	-2.1	-1.8
Salaries, Wages	325.6B	1.8	7.8
Surplus	87.5B	2.9	10.0
Employment	14.280M	0.3	1.8

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July 1988 Vol. 103, No. 7

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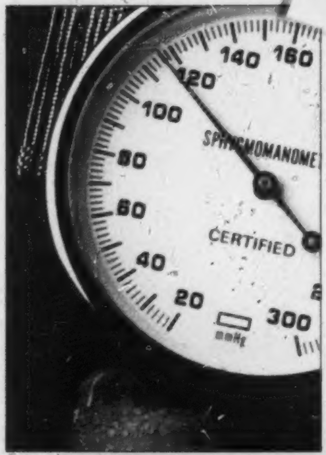
Cover photography by Jon Hayano, Atlanta



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EDITOR'S VIEW

The Future Is Now

The year is 2031. High above the Earth, a massive space station circles the land and sea masses below, its metallic glow giving the appearance of a tiny star. Inside the station's pods, scientists work diligently in the simulated gravity; colonists ready themselves for journeys to the Moon and beyond. Outside, space-suited technicians move effortlessly as they prepare the next shuttle for reentry into the atmosphere below. A deep-space vessel waits at an outer dock.

"The U.S. space program is light years ahead of the Soviets and Chinese," shuttle commander James Kark says as he leads a visiting Earth mayor, Leonard McKay, through spotless corridors on their way to the colonist quarters. "Since Congress escalated spending on the program in 1989, we've spent roughly $400 billion to build this station, improve the shuttle and explore space. This is a first-rate, top-of-the-line operation up here."

"Yes, we've created an impressive presence in space," McKay responds. "I only wish we could be doing as much on Earth."

The mayor stops at the Station Hospital sign, peering in the hatchway to catch a glimpse of U.S. space medicine. Kark offers some explanation.

"Our biggest problem up here is the weightlessness and its effect on the human body," he says. "But we're equipped to handle anything from typhoid to heart transplants. Our doctors and hospital staff are the best, and the equipment is the most up-to-date."

McKay reflects on his last visit to the public hospital in his hometown. The equipment was often 15 years old, medicine was in short supply in some cases, understaffing was prevalent, and care for the poor and homeless almost nonexistent. "We just don't have the budget for this kind of facility at my city's hospital," he says to Kark.

"Infant mortality rates keep increasing on Earth," McKay continues. "Our youth-immunization programs are understaffed and often without vaccines to give out. I heard about a recent polio outbreak on the East Coast. And many people don't live in rural areas because there is no emergency medical, fire or police service."

"Everything we do here will help you people back on the planet," the commander answers. "This technology all has applications down there eventually."

As they walk, McKay notices the computer terminals and screens at periodic intervals along the corridor. Kark explains they provide whatever information on-board personnel need. "Virtually the entire Library of Congress, Air and Space Museum, Smithsonian Museum and many other reference sources are included in the database," he says. "Our computer library is unmatched anywhere."

On Earth, McKay's own city library still has reference books stacked to the ceiling, row after row. Library users must pay an entrance fee and a fee for every book they use. Computers are still too expensive. Public schools also use textbooks instead of computers. Only at the local private schools, where wealth determines enrollment, are there sophisticated, modern teaching aids. McKay's constituents long ago reached the limits for local taxes. The national government was taking so much out of their income to pay for the space program and budget deficits of $2 trillion a year, little was left for local coffers.

"Here's a typical living cube for members of the crew," Kark says as they stop again. Inside, McKay sees three rooms, which, although somewhat cramped, offer a fully equipped kitchenette, multiple video screens and the omnipresent resource computer.

"Back home, I have people still living under old, closed down bridges," McKay says, by this time almost muttering to himself. "Since Washington ended assistance for public housing, we've been forced to use whatever rundown, abandoned buildings are available to shelter these people."

"I'm sure you can appreciate the importance of what we're doing up here," Kark replies.

Finally reaching their destination, the two enter the colonists' cafeteria, where buttons on tables are used to order from a menu including station-grown fresh fruit, vegetables and several varieties of poultry. "Today's not a good day for lunch variety," Kark apologizes. "Usually there's some Earth beef but we're using our storage capacity for the Jupiter mission."

As McKay looks up to remind his beaming host such a feast would be welcomed by millions on Earth, his eyes notice a sign above the entryway and his reply fades in his throat. "The Future Is Now," he reads, and he decides, "Why bother?" □

— Ken Anderberg

Consulting Engineers Select Design Winners

Breakaway Trails, a self-sufficient community serving 3,200 residents while preserving the environment of north-central Volusia County, Fla., earned Briley, Wild and Associates of Ormond Beach, Fla., the Grand Conceptor Award from the American Consulting Engineers Council (ACEC).

The $4.5-million Florida community features its own facilities for water supply, sewage treatment and stormwater management. Nestled in a sensitive environmental area adjacent to the flood plains of the Little Tomoka, the community was designed to take advantage of natural vistas, while roads and streets minimize traffic flow.

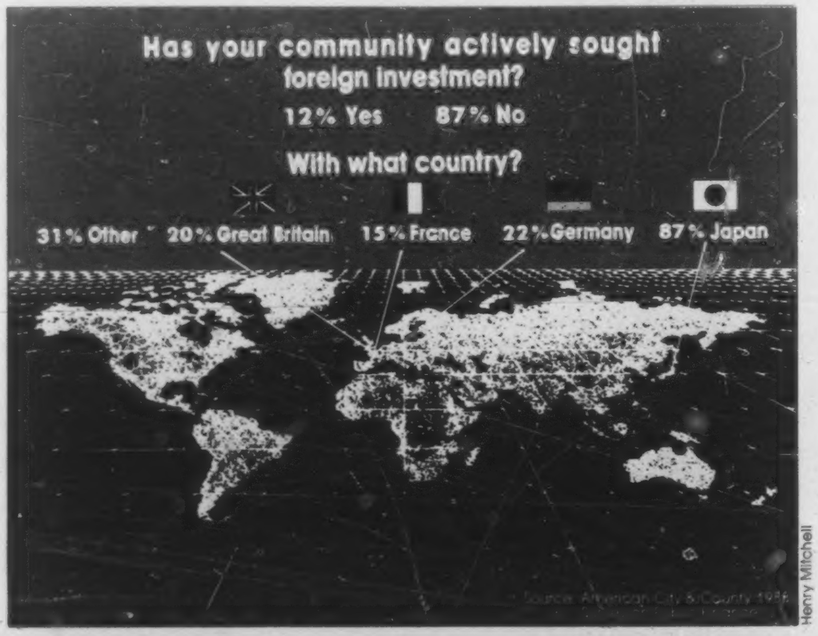
Nineteen other winners were named in the ACEC's 21st annual Engineering Excellence competition, including five Grand Awards. McNamee, Porter and Seeley of Ann Arbor, Mich., won for a study to help preserve the Chesapeake Bay. Houston's George Brown Convention Center, inspired by technology used in offshore oil platforms, earned an award for Bernard Johnson Inc., Houston.

A mobile decontamination unit used in Butte, Mont., and Kent, Wash., to change hazardous PCBs and dioxins into environmentally safe substances earned an award for Galson and Galson, East Syracuse, N.Y. Another Grand Award went to SEA Consultants, Cambridge, Mass., which designed a $24-million wastewater-treatment plant in Westborough, Mass., to treat 7.7 million gallons of wastewater a day. A jet array system in Aberdeen, Wash., which uses water jets to break up sediment in Port of Grays Harbor, earned an award for Howard, Needles, Tammen and Bergendoff, Bellevue, Wash.

The 14 Honor Award winners include: Dames and Moore, Los Angeles, for a seismic analysis of Pleasant Valley Dam in Bishop, Calif.; Wright-Pierce, Topsham, Maine, for a septage-treatment process; Camp Dresser & McKee, Edison, N.J., for a water-supply study for Camden, N.J.; and Charles M. Salter Associates, San Francisco, for the design of Lucasfilm's technical building in Nicasio, Calif.

Other Honor Award winners are: Haley and Aldrich, Cambridge, Mass., for the Rowes Wharf development in Boston; Ayres, Lewis, Norris and May, Ann Arbor, Mich., for an energy-management program for the World Bank headquarters in Washington; Post, Buckley, Schuh and Jernigan, Orlando, Fla., for a man-made wetlands project in Orlando; O'Brien and Gere, Syracuse, N.Y., for a composting facility in Schenectady, N.Y.; Donohue, Sheboygan, Wis., for designing the third phase of the Adams Center hazardous-waste landfill; Short-Elliot-Hendrickson, St. Paul, Minn., for the Main Street/Rum River Crossing in Anoka, Minn.; Soros Associates, New York, for a new coal-transportation system in Chile; Sverdrup Corp., St. Louis, for the Danzinger Lift Bridge in New Orleans; Robert Silman and Associates, New York, for the Spectral Light Dome at the Portland, Ore., Center for the Performing Arts; and Ayres Associates, Eau Claire, Wis., for a floating bulkhead in Chippewa Falls, Wis.

SURVEY SPOTLIGHT



Source: American City & County 1988

Henry Mitchell

Diesel-Fuel Tax Increases Road Funds

Congressional action to tighten collection of federal diesel-fuel taxes will add more than $200 million per year to the Highway Trust Fund, according to the American Road and Transportation Builders Association (ARTBA).

The provision changes the point of collection for diesel-fuel excise taxes from retailers to wholesalers. The action will reduce Internal Revenue Service Audits on diesel-fuel firms from 60,000 to an estimated 8,000.

The Federal Highway Administration (FHWA) estimates up to 40 percent of the nation's diesel-fuel retailers were not filing returns and paying taxes on fuel sales. FHWA suggested many retailers may not have been aware of the obligation. "This is a significant development in federal highway funding," says Daniel Spigai, ARTBA chairman.

However, he adds Congress should "take the next step in recovering lost highway-user fees by ending the federal subsidy for gasohol that costs the Highway Trust Fund approximately $500 million each year."

Governments Put Clamp on Per Diem

Government agencies are imposing strict per-diem travel allowances on their employees as costs of business travel continue to rise. The standard per diem for business travel for federal government employees is $25 per day for lodging, and another $25 for meals, taxis, laundry, and similar services. State, county and city governments also are imposing similar per-diem ceilings on their employees.

Many cities subscribe to the Runzeimer Research Service, which classifies cities into four categories and recom-

Applying High-Tech To Local Operations

Even the smallest local governments have their minds on microchips and computers, as this exclusive *American City & County* survey shows.

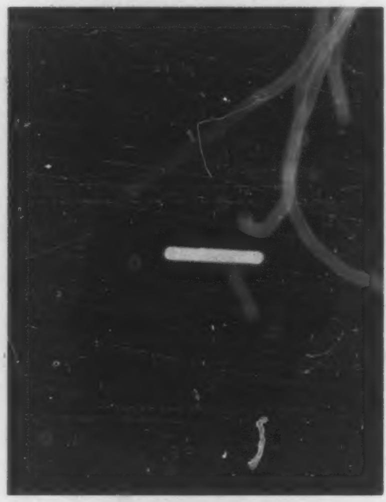
By Tim Darnell, Associate Editor

Known as Mississippi's "Queen City," Meridian has a population of 46,700 and 590 municipal employees. Chief Administrative Officer Robert Klimetz always is looking for ways to improve efficiency and productivity. In several instances, those improvements have included using computers.

Klimetz estimates using microcomputers for mapping, engineering and word-processing applications, and minicomputers for personnel, payroll, water, wastewater, utility-billing, maintenance and public-safety services, has led to almost a 20-percent increase in productivity. According to an exclusive *American City & County* survey, Meridian is not alone in enjoying the benefits of computerization.

More than 37 percent of cities and counties surveyed indicate municipal productivity has been increased by more than 25 percent through computers. Though the survey indicates 1989 municipal budgets for purchasing computers will remain about the same as 1988 for most localities (53.6 percent), Klimetz says, "Most towns think they cannot afford computerization, but it really saves in the long run."

The survey includes a representative sampling of the nation's cities and counties. A total of 271 cities and counties responded, and more than 80 percent had populations less than 50,000. Fifteen cities with populations between 100,000 and 499,999 responded, while two cities were surveyed with more than 500,000. Among counties, six with populations between 100,000 and 499,999 repsonded, while one was surveyed with more than 500,000.


Jon Hyano

Geographically, the respondents vary, with the largest percentage coming from the Midwest, 28.3 percent. Municipalities employing less than 50 people made up the largest survey segment (26.1 percent).

Smaller cities recorded the highest ratio of productivity increases. Seventy-one percent of cities surveyed with less than 100,000 people say efficiency has increased more than 25 percent through automation. Among counties with less than 100,000, 50 percent registered productivity increases of more than 25 percent.

One benefit of a computerized record-keeping system is continuity. "With a computer, you are never at the mercy of one individual," Klimetz says. "When the clerk retires after 10 years of service, all the information is there and stored in the computer."

As with any new system, however, users may be reluctant to learn and understand its abilities. "Too many times, there is mistrust and fear of the computer," Klimetz adds. "But once people get over the fear of electrocution, they begin to realize the computer is only a tool. We use very simple, straightforward machines."

Meridian uses Hewlett-Packard word and data processors, microfilm readers/printers, along with more standard office fare, such as copiers, electric typewriters and word processors. Nationally, IBM equipment is the product of choice, with 52 percent listing it as their primary brand of hardware. Unisys comes next with 11 percent, while NCR is used by 7 percent of those surveyed.

Merle Strouse, city administrator of Rolla, Mo., uses IBM 38 mainframes, which recently were purchased to re-

For what purposes, or in which departments, do you currently use computer equipment and software?	Total responses	Micro(%)	Mini(%)	Mainframe(%)
Building Maintenance/Security	49	49	27	24
Financial Planning/Budgeting	288	34	33	33
Fleet Management	96	47	29	24
Mapping/Engineering	86	60	27	13
Parks & Recreation	95	51	33	17
Personnel & Payroll	253	26	32	42
Police/Fire Services	182	40	35	25
Public Transit	21	52	38	10
Scheduling	35	57	29	14
Solid-Waste Collection/Disposal	54	46	22	31
Street Maintenance	76	50	24	26
Tax Records	140	21	31	49
Traffic Engineering/Control	70	56	23	21
Utility Billing/Maintenance	202	24	37	39
Water/Wastewater Operations	115	50	27	23
Word Processing	241	56	30	19
Other	39	31	44	25

place the 36 series. Every terminal in City Hall is integrated with computers in other departments, including the Police, Fire and Recreation departments. Seventy-five percent of the city's personal computers (PCs) are networked with other minicomputers, microcomputers and mainframes.

"With the complexity of government, we have been able to maintain our staff," Strouse says. Had computerization not entered the picture as a viable alternative, Strouse estimates he would have had to increase his staff by two to three people to maintain a comparable level of productivity.

"We have been using computers for the last eight years, but we have had a real amount of growth within the last five years," says Art Rohr, systems analyst for Purango, Colo.

The National Association of Towns and Townships reports smaller cities and counties are encouraged and, in some cases, mildly coerced, to find greater uses for computerization. The state auditor for Ohio is proposing legislation requiring computerized township bookkeeping and establishing an information network for local governments.

Indiana recently became the seventh state in the nation to have an automated fingerprint indentification system on-line and available to local governments. Before the system was installed, a suspect's name was needed to match a crime-scene print with prints in police files. Now, a single print can be matched and identified in 10 to 15 minutes. The system has a database of nearly 160,000 10-print cards, or 1.6 million individual prints.

The State Police Department plans to increase that database to 800,000 10-print cards, or 8 million individual prints. "This system will enable us to get faster, more accurate results in identifying fingerprints taken from a crime scene against known criminals whose prints are on file," says Superintendent Larry Furnas. The system cost $1.9 million.

Other groups specializing in computer applications for municipalities report an increase in technological interest. The first projects for Public Technology Inc. (PTI), Washington, were finding matches between National Aeronautics and Space Administration hardware and urban applications. Today, PTI works with the National League of Cities and the International City Management Association, helping municipal managers determine and apply appropriate technology to their own unique situations.

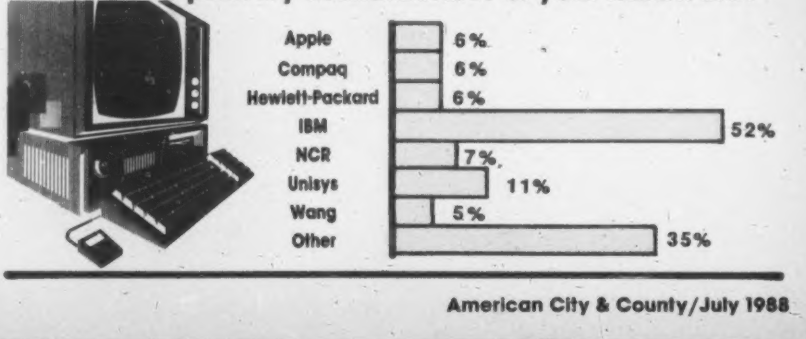
Integrated communication systems among municipal departments are gaining in popularity among larger cities and counties as well. Orange County, Calif., ranking seventh in population among U.S. counties, used facsimile (fax) systems for several years in many of its 27 libraries, courts, sheriff's offices, health-care and other facilities. But because each department had a different brand fax machine, integration was impossible.

According to Larry Wicks, telephone services specialist for the county, a network of 33 ImageMate fax machines from Murata Business Systems, Los Angeles, was purchased. The county's existing phone lines accommodate the new system, eliminating the need for dedicated phone lines.

Wicks says some of the most significant applications have come from the sheriff's and marshal's offices. Personnel from both departments can transmit classified prisoner information, such as release or sentencing papers, to other facilities, including courtrooms and jails. Previously, such information had to be hand-carried from one site to another by a marshal or deputy sheriff.

Public safety is one area being affected by new trends in automation. Forty percent of survey respondents say microcomputers are being used in police and fire services, while minicomputers are being used by 35 percent. The survey also shows 25 percent use mainframe hardware. While more respon-

Who is the primary manufacturer of your hardware?



dents are planning future software purchases for financial planning and budgeting purposes (11 percent), police and fire services fall closely behind at 9 percent.

One public-safety application has been developed by two University of San Francisco business professors. Their computerized patrol-scheduling system could save the city $11 million annually in police salaries. According to Phillip Taylor and Stephen Huxley, the system also reduces response time to emergencies.

Mainframe applications for police and fire services are more common than microcomputers and minicomputers among counties with less than 100,000 people, with 60 percent using mainframes compared to 20 percent for both microcomputers and minicomputers. Forty-four percent of those counties surveyed with more than 100,000 people also prefer mainframes, opposed to 33 percent for minicomputers and 22 percent for microcomputers.

> *"Once people get over the fear of electrocution, they realize the computer is only a tool."*

Among cities with populations under 100,000, microcomputers are more common for police and fire services (42 percent) than mainframes and minicomputers. Only 22 percent use mainframe applications for these departments, and 36 percent use minicomputers. Thirteen percent of those smaller cities are planning additional software purchases for such public-safety purposes. Preferences among microcomputers, minicomputers and mainframe applications are divided evenly among cities with more than 100,000, with each registering a 33.3-percent rating.

Reduction of cumbersome papers and files often is a key factor influencing a decision to computerize. "It's amazing what people who have no previous background in computers have been able to do with them," says John Witherspoon, Guilford County, N.C., manager. "They just burst forth with innovative ideas we never expected."

One such user was Richard Nickoloff, training and technology coordinator for the San Fernando Valley office of the California Highway Patrol, who created a software program to develop computerized, cross-referenced accident and evidence logs. The program was based on a series of computer-produced booklets that fit inside ticket books of the 84 officers staffing the branch. The booklets detail and cross-reference intersections, patrol beats, hospitals, milepost markers, jails, radio frequencies, courts and other information for the office's five sectors.

The booklets were donated to the office by Useful Software, Calabasas, Calif. Nickoloff runs the program on a system given to the office by the state, an IBM-compatible PC, spreadsheet, database and word-processing software. The system and software grant is an experiment to determine how the state patrol might use PCs, and what other applications are important.

Besides financial planning and budgeting, *American City & County* discovered a wide variety of other areas where software purchases are being planned. Projected uses include mapping and engineering (18 percent), word processing (14 percent), street maintenance (13 percent), personnel and payroll (13 percent), and utility billing and maintenance (10 percent). Thirty-eight percent of those respondents had other, miscellaneous software purchases planned.

Utilities are finding more uses for computerization, from automated records and billing systems to hand-held meter-reading devices. Thirty-nine percent of cities and counties surveyed feature mainframe utility applications, while 37 percent employ minicomputers and 24 percent use microcomputers.

Miami Beach utility personnel now use hand-held computers to read the city's water meters. "This is the most important step the Public Services Department has taken in a long time," says Director Ron Rumbaugh. "The new system saves time, money and paperwork."

Rumbaugh says one of the most important results of the new system is the ability to identify problems on a daily basis and deal with them faster than before. The meter reader makes notations directly into the machine when there is over or under water usage or when there is water use at an address listed as an inactive account. Readers also are able to make note of a variety of property-

Minnesota City Adds Focus To Selection of Bond Issues

City managers today face a double-edged sword in setting priorities for municipal bond-issue bids. As more people relocate from rural to urban areas, the growing need for new public facilities clashes with taxpayers' growing reluctance to approve bond issues.

The problem is compounded when more than one facility is needed. Deciding which facilities merit taxpayer consideration can lead to complicated internal battles for city managers who try to balance hidden agendas, personality conflicts and disagreements over priority needs.

With this challenge in mind, city managers in Robbinsdale, Minn., a northwestern suburb of Minneapolis with a population of 14,420, obtained a computer-software package that made the bond-issue process run faster and more efficiently.

"We were considering eight different facilities," says Ryan Schroeder, assistant city manager, "everything from a police station to a new community center. While we could illustrate a need for all of the facilities, we knew that taxpayers couldn't carry the load for all the improvements at once. We had to establish a building priority and demonstrate our reasoning behind the choice."

Schroeder and the rest of the city manager's staff [illegible] the standard process produced [illegible] conclusive results. "We were floundering for a way to evaluate our options," he says. "Unfortunately, we had too many choices to consider and too great a need for the new facilities to have the process bogged down."

Using a software program called OptionFinder from Option Technologies, Mendota Heights, Minn., the city was able to prioritize the eight facilities, rank each facility's likelihood of being passed, and explore the possibility of sharing the cost and use of certain facilities with nearby cities.

The portable system includes electronic keypads for each group member, and enables them to provide candid and anonymous input. Using a combination of paired comparisons and a series of rating scales, individual responses are merged instantly with input from others in the group to create a collective response viewed almost instantly on a master grid.

"We were able to include more key people in the decision-making process," Schroeder says. "Because they were involved and felt their views were clearly incorporated, those key people support our recommendation." ☐

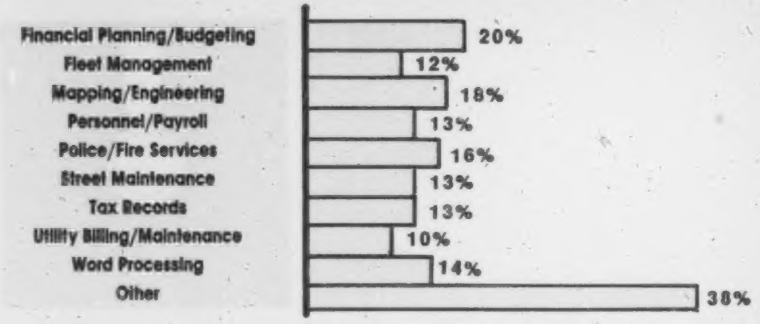
related problems, such as overgrown shrubbery or other conditions that prevent reading.

During elections, signature-verification and record-keeping systems may help local elections proceed smoother and faster. Pinellas County, Fla., has more than 488,000 registered voters. A new Wang word-processing system, including scanners and image-tracking devices, has been installed and upgraded to handle all automation needs. As a result, the county's Elections Department reduced its budget by 5.6 percent, while budgets for all other county jurisdictions went up 17 percent.

Local governments also are expanding current systems in addition to installing new ones. Officials in Ramsey County/St. Paul, Minn., are expanding an electronic welfare-benefits distribution program that has been in operation since last year.

The project was the nation's first-ever test of a comprehensive program to distribute welfare cash benefits using electronic-delivery systems rather than by check, marking the first time recipients accessed their benefits through an automated teller machine. Participation in the pilot program was limited to about 1,000 of the 9,000 recipients. Expansion of the program begins this month with the addition of 1,800 clients each month until all recipients are covered.

For what jobs are you planning software purchases?



One key issue facing municipal managers is training properly the personnel who will be using the computer. Thirty-six percent of respondents indicate the problem as a key issue in the information-technology and office-automation arenas. Integration networking comes in second, with 32.2 percent.

"Training is a slow process and key problem," says Charles Kagan, auditor for Melrose, Mass. "When I started working here, there were three PCs that had never been turned on because nobody knew how to use them. Once we started working with people and training, it has been snowballing ever since."

Though there may be problems in implementing and training personnel to use a computerized office system, this survey shows more local governments are experiencing the productivity increases that come from such systems. Computers were made to serve, and municipal managers are discovering they can help them serve the public. As Klimetz says, "By doing our own programming, we've let the computer back-up people's ideas, rather than the other way around." □

Additional research was provided by Charles Needle, editorial assistant for **American City & County.**

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MUNICIPAL COST INDEXES

A 1.5-percent increase by the **Consumer Price Index** was the largest gain by any index in July. While the index rose to 117.1, the **Producer Price Index** rose an even 1 percent, to 105.8. The **Municipal Cost Index** continued to rise, to 114.0, while the **Construction Cost Index** showed the least gain, 0.3 percent to 117.2.

Lumber rose to 133.7, while paper rose 1.1 percent. Sanitary papers also rose 1 percent; soaps and detergents made a 0.1-percent increase, similar to last month.

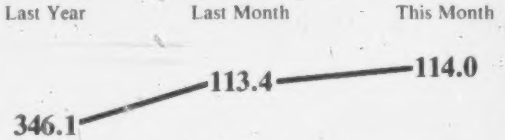
—Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	112.7	0.4	3.6
Apparel	109.8	0.2	1.5
Asphalt Roofing	92.6	−1.1	1.3
Chemicals, Industrial	103.7	1.3	10.2
Coal	95.2	−1.1	−2.1
Concrete Products	109.9	0.1	0.5
Construction Machinery	110.9	0	2.2
Diesel Fuel	53.5	6.4	3.3
Electric Components	115.8	−0.2	1.1
Electric Lamps	122.4	0.1	0.8
Electric Power	107.7	−0.1	−0.3
Engines, I.C.	110.8	−0.2	1.4
Fans, Blowers	112.2	0	1.3
Fertilizers, Mixed	105.0	0.7	10.8
Floor Coverings	112.9	0.5	3.2
Flow Instruments	115.9	−0.3	2.5
Footwear	114.4	0.1	5.7
Foundry Products	108.8	0.6	3.3
Fuel Oil No. 2	53.2	7.9	1.1
Furniture	123.7	1.0	4.7
Gasoline	56.8	6.0	−2.2
Generator Sets	120.2	0.6	5.0
Glass	109.2	−0.1	2.2
Glass Containers	112.3	−0.2	−1.3
Gypsum Products	113.6	−1.2	−10.7
Hardware	112.7	0.4	3.2
Heating Equipment	116.5	0.1	0.8
HVAC Controls	113.9	0	0.4
LP Gas	53.8	−0.7	−2.5
Lubricants	103.7	0	5.2
Lumber	133.7	1.1	6.9
Metal Fabrications	113.1	1.4	8.5
Millwork	121.3	0.4	3.8
Motor Vehicle Parts	106.5	0.1	0.5
Mowers	113.0	−0.1	1.2
Natural Gas	80.6	4.3	−1.3
Office Machines	106.6	0.4	2.4
Paint	112.2	0.5	5.6
Paper	121.0	1.1	10.0
Passenger Cars	111.7	0.2	−1.7
Plumbing Fixtures	125.5	0.2	5.7
Plywood	102.1	−1.4	1.0
Portland Cement	102.8	0.3	0.1
Residual Fuel	40.5	−4.0	−22.4
Sand, Gravel	120.8	0.9	2.4
Sanitary Papers	110.9	1.0	1.4
Soaps, Detergents	111.8	0.1	3.7
Sporting Goods	105.4	0.3	3.7
Steel Mill Products	109.6	1.4	8.5
Struc. Clay Products	123.9	0.4	3.4
Switchgear	112.9	0.4	2.4
Tires, Tubes	93.4	0.1	3.1
Transformers	108.0	−0.2	1.1
Trucks	110.8	−0.1	−2.2
Valves	112.5	0.9	4.1
Wire, Cable	124.2	0.1	22.0
Wiring Devices	123.4	0.7	5.6

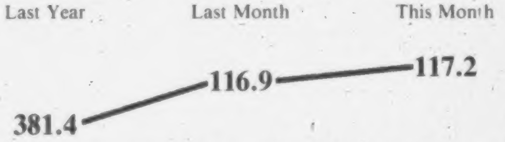
At-A-Glance Changes

MUNICIPAL COST INDEX



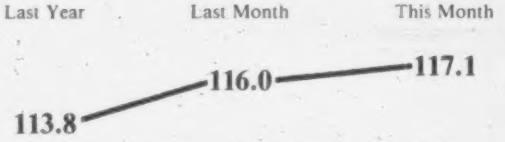
Percent Change From Last: Month **0.5** Year **3.7**

CONSTRUCTION COST INDEX



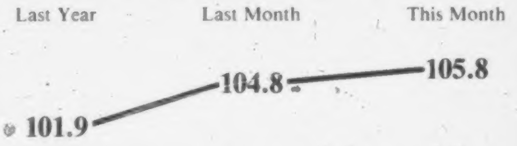
Percent Change From Last: Month **0.3** Year **2.6**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **1.5** Year **2.9**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **1.0** Year **3.9**

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	657.6B	1.0	5.0
Federal Grants	103.5B	−2.4	− 5.5
Durable Purchases	27.8B	3.0	11.6
Consumables	44.6B	3.5	16.7
Services	413.1B	2.1	8.2
Structures	61.4B	−2.1	− 1.8
Salaries, Wages	325.6B	1.8	7.8
Surplus	87.5B	2.9	10.0
Employment	14.280M	0.3	1.8

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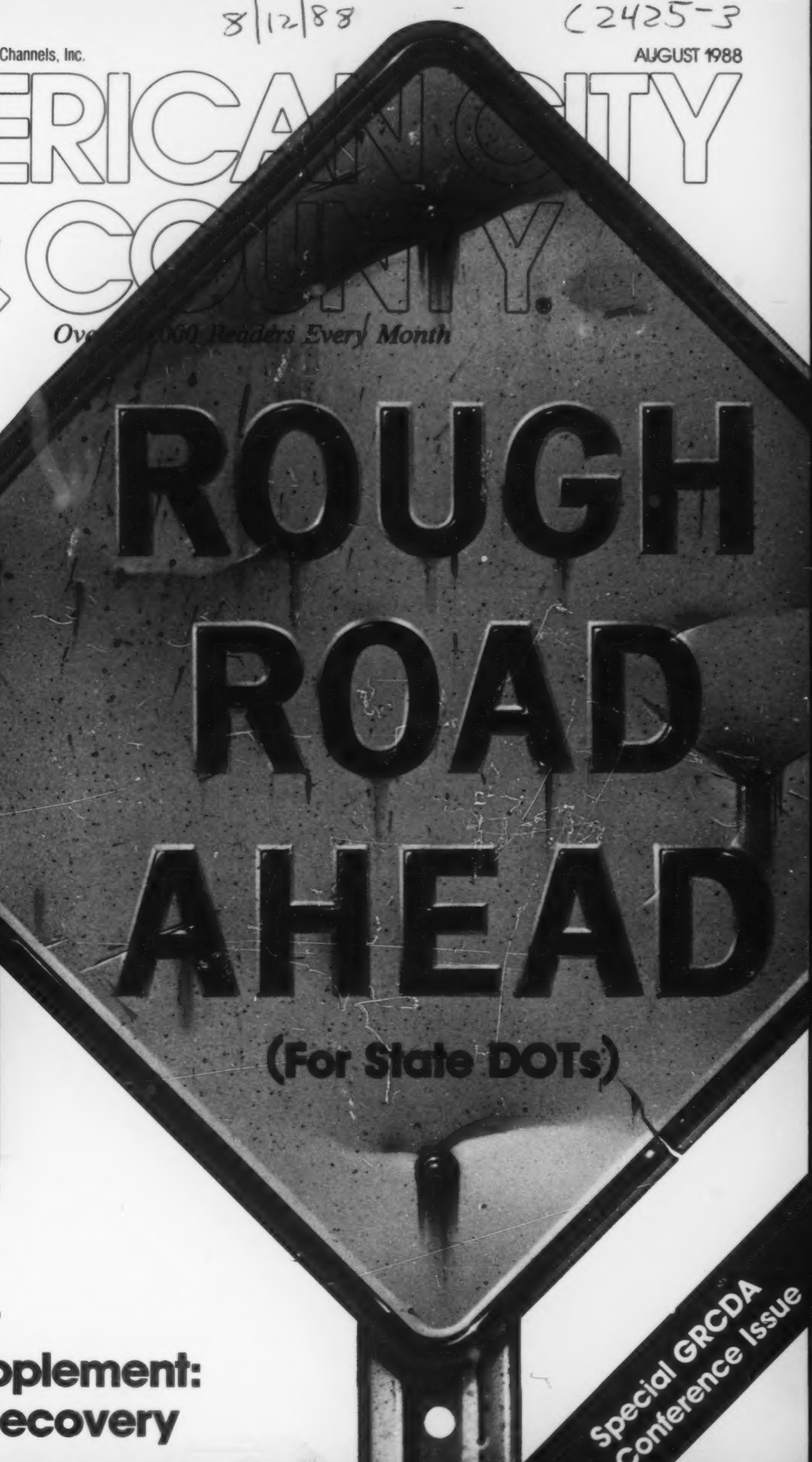

County Leader Of the Year John Horsley

Special Supplement: Resource Recovery

Special GRCDA Conference Issue

AMERICAN CITY & COUNTY®

August 1988 Vol. 103, No. 8

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EDITOR'S VIEW

Teaming for Success

A year ago, Bill Davis of the National League of Cities (NLC) visited Atlanta to promote the League's Election '88 Task Force program, which he heads. Bill and I had never met but he considered the impact of *American City & County* important in mobilizing the universe of city, county and state officials. Bill was meeting with a number of publications then to drum up editorial support for the NLC presidential campaign agenda.

The Task Force, Bill said, was preparing a report on the national scope of urban problems and needs, in an effort to focus the attention of presidential and congressional candidates on the urban agenda. This was to be a coordinated, non-partisan effort to showcase the importance of urban health to national economic goals, and to once again create a partnership between federal and local governments.

At about the same time, the U.S. Conference of Mayors prepared a policy paper titled a "National Urban Investment Policy." The goal was the same — to put a renewed emphasis in federal priorities toward urban needs such as housing, drug abuse, poverty and infrastructure repair. Last September, a condensed version of that report appeared in *American City & County*, and this past April, the NLC report, "Investing in Home Town America: Ten Issues for the 1988 Elections," was featured.

The fact both organizations issued 10-point policy outlines is no coincidence, but the result of cooperation between them. Perhaps at no time in recent memory have partnerships between local-government associations been as strong as during the past year. The NLC, Conference of Mayors, National Association of Counties, National Conference of State Legislatures and the National Association of Regional Councils are among the groups that have joined forces to present a unified program for discussion by presidential and congressional candidates.

Bill Davis and I talked a year ago about the impact such an effort could have in establishing an urban agenda for the next administration. Local-government organizations had virtually sat on their hands, or acted in concert with no one but their own members, since the 1976 elections. But the opportunities presented by this year's political process offered an open door to state and local governments to rebuild the decaying federal/local partnership. The key, however, was not simply that the opportunity had availed itself, but how the program was presented in a cooperative, non-partisan fashion.

Credit these local-government groups with a job well done — to this point. They have succeeded in placing their agenda at the top of the campaign discussion lists. To be sure, budget deficits and foreign policy were the early focal points of debate for most of the presidential contenders. But as the primary season wore on, the switch to the human issues so well known by city and county leaders began to take center stage.

Take, for instance, Democrat Michael Dukakis, whose speech at the recent meeting of the U.S. Conference of Mayors dealt primarily with the American drug-abuse problem, among the top concerns of local officials. Dukakis also promised as president he would establish a select advisory panel of local-government leaders to maintain a dialogue between his office and grassroots government. He also has been a proponent of such local issues as housing, education, job training and, to a lesser degree, infrastructure maintenance.

Republican presidential candidate George Bush also has taken domestic issues to heart, apparently recognizing the importance these people-issues will play in November. In a letter to the U.S. Conference of Mayors, the vice president said, "America needs a new working relationship between the federal government and the cities."

Bush also plans to establish a Task Force on Urban Affairs, "which will be in everyone's interest (to) devise strategies for the urban agenda. Though massive amounts of federal aid are not available, my goal is to shape a federal role that serves as a catalyst to help the cities solve their problems." He, too, is on the drug-abuse bandwagon, and adds education, child care, housing and homelessness to his domestic agenda.

Without the impetus provided by the NLC, Conference of Mayors, National Association of Counties and others, these breakthroughs may not have been possible. Excellent planning, coordination and cooperation have brought some success to this point, but local-government officials still need to press the congressional candidates in their districts and the presidential hopefuls about their stands on these issues. Ambiguities need to be fleshed out with real-world programs. The opportunity is golden, but the work is not done. ☐

— *Ken Anderberg*

WESTINGHOUSE

Recycling Gains Ground

By Anne Magnuson

Sheep rancher Ed Filbin of Westley, Calif., believes in keeping spare tires. In just three years, he accumulated 40 million of the rubber rings. Today, a $41-million, privately owned energy system in Westley burns 700 to 800 of Filbin's tires an hour — enough to produce electricity to power 15,000 homes a year.

"I always figured that if you collect enough of something, there'll be a market for it sometime," Filbin says.

In Clifton Park, N.Y., landfill manager Louis Gerard stores tires, hoping to salvage them someday, and recycles white goods, newspaper, glass, metals, building materials, car batteries and motor oil. "We don't recycle for the money per se, but save on space and handling," he says. His county is under state pressure to build a 400-ton-per-day (tpd) capacity waste-to-energy plant.

Recycling programs that make good use of all types of solid waste are a welcome adjunct to resource-recovery operations, lowering the cost of burning trash, improving combustion, appeasing environmentalists, protecting water supplies and promoting recycling industries.

"Absolutely, there is a national trend to recycle along with resource recovery," says Allen Hershkowitz, president of the Municipal Recycling Association in Elmsford, N.Y. Cities, townships and counties proceed with numerous schemes to recycle and burn on the drawing boards, but few put these ideas into operation.

Hershkowitz, formerly of the New York-based environmental research group Inform, urges communities to hire recycling specialists, not just lawyers and engineers, when setting up a recycling program. Obtaining good advice is the biggest obstacle in launching a recycling program, he says.

"Sometimes there is an inversion of sound economics, with siting of waste-to-energy plants, before recycling is underway, as in Albany and Westchester County, N.Y., and Boston," Hershkowitz says. One solution is to create a recycling blueprint before the costly system is built, lowering the amount of garbage guaranteed by the community and decreasing the burn plant's volume.

New Jersey and New York promote a four-pronged disposal attack: waste reduction, recycling, resource recovery and landfilling (especially of ash and unburnables), in that order. Currently, New York operates seven trash-to-energy plants, and state officials predict up to 38 will be operating by the year 2000. Two are under construction in New Jersey, where recycling is mandatory, and the state stresses future resource recovery.

Wilton, N.H., with a 1979 Consumat incinerator, made $32,000 last year recycling everything from yard clippings to Styrofoam packaging, and saved $40 per ton by salvaging scrap metal. "Recycling reduces the volume of the burn," explains Donald Chambers, co-manager of the Wilton Recycling Center, "and it changes the nature of the burn. Keeping out metal and plastic makes for less potential toxic ash and emissions."

At a 3,150-tpd mass-burn plant in Pinellas County, Fla., operators extract 25,000 tons of metal a year from the ash, saving $37.50 per ton in landfill costs. "We have sold the metal under contract since 1983 and hope to remove 40,000 tons per year from the ash in 1989," says Robert Van Deman, county director of solid-waste management.

The keys to successful recycling are the market, collection and public relations. Unsteady markets may crash, and a three- or five-year purchasing contract is difficult to come by, recycling coordinators say.

An Albany, N.Y., environmental consultant, Gordon Boyd, says intermediate-processing facilities (IPFs), also called materials-recovery facilities, represent a new trend in garbage-disposal efforts.

Whether publicly or privately owned and operated, these centers take care of sorting, baling, cleaning, shredding, storing and marketing recyclables. Industries buying used materials prefer clean and sorted goods in large, consistent quantities, made possible by IPFs.

Boasting the country's largest recycling program per household, San Jose, Calif., serves 180,000 homes with 55- to 60-percent voluntary participation. Garbage disposal in San Jose does not utilize waste-to-energy technology, but it is a showcase of IPF efficiency.

Cans, glass bottles and newspapers are collected from three bins at curbside and transported to a privately

RESOURCE RECOVERY

owned processing yard. "The city does the publicity," notes recycling program manager Richard Gertman, "and the contractors do all the rest of the service — hauling, processing and selling the materials."

The IPF charges San Jose $1.8 million a year or $10 per household. Citizens pay $5.99 a month for inclusive garbage service, and the IPF receives profits. The city recycles 8 percent of its garbage, and the collecting company pays the city the avoided cost of $8.03 per ton of recyclables. The processing center returns money to San Jose based on the amount of recyclables recovered and current market prices.

Saugus, Mass., began recycling newspapers nine months ago to complement its 12-year-old resource-recovery system. Expecting public apathy, the city plans to advertise recycling regularly to maintain interest, according to administrator Joseph Giancola.

Eventually, Saugus will transport its reusable materials to a state collection center in Springfield. The state will buy the waste from Saugus at a market price, so profits will fluctuate week-to-week, says Giancola.

"We will need to obtain trucks, either purchase or lease them, or remodel our trucks, or buy compartmentalized ones to collect curbside," he says. "Collection will be difficult, as the public must be educated to separate (trash) at the source into eight separate containers. We will give them to residents, and they will purchase others as needed." Saugus will recycle plastics, glass, newspapers, metals, aluminum and tin cans.

Michael King of the Massachusetts Division of Solid Waste Management says the state will position 12 IPFs, with the one in Springfield to be state-owned yet privately operated by 1989. To bring in the recyclables, trucks will be partly state-funded.

The biggest disadvantage of IPFs, according to Boyd, is "sometimes having to travel hundreds of miles." Another major IPF pitfall is disposing non-recyclables. Even shredding a junk car leaves 25 percent unusuable waste. This is the cost of doing business, Boyd says.

Mixed recyclables can be transferred best directly from curbside to be sorted and upgraded at the processing center. "By pulling out valuables, the volume of waste can be reduced 30 to 60 percent," Boyd says.

The number of processing centers expands to cover large areas or deal with large populations. A new IPF is on-line for New York in Queens, and a $4-million IPF is under construction in Brooklyn.

The more-common collection methods, either curbside or drop-off centers, create logistical problems. "If you can't harvest it, you can't market it," Boyd says.

Commentary

Recycling: A National Effort

By J. Winston Porter

With more than 80 percent of all household and commercial garbage today ending up buried in landfills, America is heading for a major solid-waste disposal crisis.

The United States produces more than 150-million tons of garbage per year. By the year 2000, that figure could increase by 40 million. Nearly one-third of this country's current landfill capacity will be full within five to six years. In addition, obtaining citizen approval to locate new waste-treatment or disposal facilities has become increasingly difficult.

There are no simple answers to this very serious problem, and solving it will require new attitudes about solid waste on the part of all citizens. Ultimately, as consumers, everyone may have to develop new behavior patterns.

First, no matter how hard Americans work to change their behavior, municipal landfills and trash incinerators will be needed for years to come. By cutting down on the amount of trash requiring disposal in the first place, however, U.S. citizens can decrease their reliance on these disposal options.

The U.S. Environmental Protection Agency (EPA) favors an integrated solid-waste management strategy that includes: reducing the amount of solid waste generated, recycling as much refuse as possible, incinerating some garbage with appropriate environmental controls (usually with energy recovery), and continuing safe landfill practices.

EPA is promoting a national four-year goal of reducing the amount of municipal solid waste bound for disposal by 25 percent. Currently, the United States recycles only about 10 percent of total refuse nationwide. About half of all aluminum cans, one-third of newspapers, and about 10 percent of glass bottles are recycled currently.

In contrast, only about one percent of all plastic goods and very few rubber products, such as tires, now are recycled. A few innovators are collecting yard and food wastes for composting, but these efforts are minimal.

A 25-percent recycling goal should not be rigidly adhered to in every community and every state. But that goal is realistic for the country as a whole.

Government officials can play an important role in helping solve the garbage problem. Municipalities should plan for collection and recycling markets and oversee the operation of all facilities. State governments should provide statewide solid-waste planning, and develop necessary laws, regulations, and enforcement.

The federal government should conduct research and development, serve as a clearinghouse for information, provide a national perspective on the issue, and develop certain underlying regulations.

The United States cannot achieve this 25-percent goal by government efforts alone, however. Individual citizens and businesses must begin to take a more active role in the recycling process.

Involvement can begin with participation in a source-separation program. Most recycling efforts start with the consumer separating refuse into such elements as metal, glass, paper and plastic.

To a large extent, increased separation increases the value of recycled materials. Therefore, local homeowners, renters and businesses should cooperate with separation programs. Where existing recycling programs do not exist, citizens should push for them with local officials, private firms, service organizations or non-profit groups.

No single group can do the job alone, but the collective recycling efforts of everyone will help solve the garbage problem. ☐

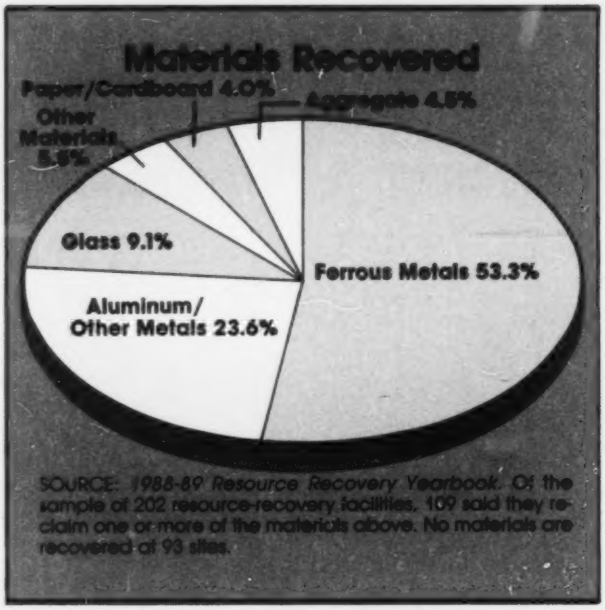
J. Winston Porter is assistant administrator for Solid Waste and Emergency Response, U.S. Environmental Protection Agency.

When implementing collection, "the first hurdle is how to integrate the historical service in your town with what you want to change it to," Boyd says. "If people have taken papers to the church each week, do you want to interfere?" he asks, adding politically strong leaders can develop popular plans that induce cooperation with haulers and the public.

"Source-separation entails work," Boyd says. "I'd rather talk about not mixing. Would you throw your beer bottles into the laundry basket? Mixing makes an unmarketable product."

In Champaign, Ill., administrators found the recycling container makes a difference. Collectors deposit newspapers, cans and glass at curbside. "When we first started, we didn't have any containers, and participation was about 20 percent," says General Services Director Samuel Chandler. "When we gave everyone a 'blue box,' participation went up to 80 percent, and now it's down to 60 to 65 percent on a monthly basis." The blue box is square so folded newspapers layer the bottom, and brown bags of cans and bottles fit on top.

The Community Recycling Center, funded by Champaign County and the cities of Urbana and Champaign, also markets corrugated cardboard, recycled oil, high-grade office paper, computer paper, and high-density plastics such as milk jugs and bleach containers.



SOURCE: *1988-89 Resource Recovery Yearbook.* Of the sample of 202 resource-recovery facilities, 109 said they reclaim one or more of the materials above. No materials are recovered at 93 sites.

Champaign's program aims at 50-percent waste reduction in five years. Already, aggressive composting reaps 20 percent from the waste stream. Yard waste is collected curbside once a week in the fall, two weekends in winter for Christmas trees and in the spring.

Chandler says Champaign soon will target high-density environments such as high-rise apartments, dormitories and multi-family dwellings for drop-off sites. City planners will provide large, decorated, labeled trash cans this summer.

With seven different sanitation companies competing for Champaign householders' trash, one problem the city faces is discontented haulers who are losing money. A separate contractor hauls newspapers, cans and glass.

This hop-scotch system will end when Champaign initiates profitable zones for each hauler, collecting recyclables on the same designated day. Haulers will be required to buy a license and participate in the recycling program.

Chandler advises communities to hire a recycling coordinator whose sole job is to implement and run the recycling venture. "Recycling costs a lot of money, and someone must manage it, committing to more than two or three hours a week," he says.

Transportation is critical also for the Pinellas County, Tampa Bay, Fla., metropolitan area, which encompasses 24 cities. "The cities have the trucks and the county doesn't," says Van Deman, so cities with municipally owned or contracted collection vehicles develop the recycling systems. The county recycles internally, he says, by recovering paper and selling obsolete equipment.

Connecticut, Rhode Island, New Jersey and parts of Oregon mandate recycling, along with some counties, towns and cities such as Philadelphia. Mandatory recycling shows government commitment to saving money and the environment, but a failure to inspect for compliance demonstrates government indifference, some planners say.

In Old Lyme, Conn., if residents do not source-separate cans, newspapers, magazines and glass, their garbage collection may be suspended by local ordinance. Other communities shame errant householders by putting brightly colored stickers on their trash cans.

In rural Saratoga County, N.Y., administrator Chris Callahan says the recently enacted bill requiring mandatory recycling for newspapers and white goods allows recycling to begin slowly. "The county would like to crawl before it walks," he says.

Saratoga, which voted down a $60-million, 400-tpd mass-burn plant last December, avoided spending millions of dollars to burn trash like some larger cities. Lawmakers support recycling because it appeals to those for and against the burn plant.

Where source-separation is voluntary, various imaginative schemes lure participation. In Columbus, Ohio, officials conduct a monthly lottery, asking residents to label their curbside recycling bins with their name and address for the drawing.

"A weekly pickup becomes so habitual, residents get used to doing it, so it's nothing special," says Chandler. "You need consistency, a separate day for recycling, always the same day."

Pilot studies are useful sometimes as in Columbus, a city with voluntary recycling and a 2,000-tpd, refuse-derived fuel facility. Public-works officials provide special collection bins to some homes but not to others, initiate recycling in both low- and high-income areas, place polyurethane refuse bins in alleys, encourage curbside pickup in other parts of the city, and try out automated vs. manual waste collection. With these pilot-study parameters involving 3,000 households, policymakers hope to calculate what works best for Columbus.

The city anticipates theft of recycling bins in alleyways, however. "Mom and pop scavengers may pick up the aluminum cans and glass," says local analyst Dennis Laroche.

Although surveys show greater citizen participation with curbside collection, Wilton, N.H., residents defy odds. With a population of 9,000, 60 percent of its residents take reusable materials to drop-off centers.

Wilton, which plans to add a turbine for generating electricity to its incinerator built in 1979, has a long list of recyclables that will not burn in its trash-to-energy plant. The city recycles 40 percent of its wastes — newspapers, magazines, corrugated-cardboard and brown paper bags, mixed clean paper, colored ledger paper, glass, high-density polyurethane plastics, clear polyethylene terephthalate (PET), green PET, Styrofoam packaging, aluminum and tin cans, aluminum foil, car batteries, light iron, exhaust systems, wire, galvanized cans, valuable metals such as copper and brass, reusable goods such as sofas and appliances, clothing and rags, kitchen scraps, leaves, and grass clippings for compost.

Wilton makes its point: Recycling is cumbersome, but cost-effective. ☐

Anne Maguson is a correspondent for **American City & County** *based in Clifton Park, N.Y.*

Contracting for Energy

By David Sokol

When municipalities implementing waste-to-energy projects begin to develop financing plans, the electrical or steam sales agreement represents a critical component in stabilizing long-term disposal costs. The disposal cost often is referred to as the "tipping fee," which is expressed on a per-ton basis. Typically, the tipping fee escalates annually, and this variable controls the economic feasibility of the project.

To maintain a reasonable tipping fee and minimize residential and commercial rate hikes, local governments and project developers should work together to obtain the best possible electrical or steam sale agreement.

Cents/Kilowatt-Hour Paid for Electricity

Sample	Mean	Minimum	Maximum
All Facilities	5.80	1.49	12.77
Planned Facilities	6.11	1.85	12.77
Existing Facilities	5.25	1.49	12.02

SOURCE: *1988-89 Resource Recovery Yearbook*. Of the 135 waste-to-energy projects generating electric power, 104 furnished price information.

Because energy payments from the purchasing utility often represent 35 to 45 percent of a project's annual operating revenue, the influx of electrical revenues during a facility's operating life is an important factor in determining tipping fees. Due to federal legislation passed more than a decade ago, waste-to-energy facilities have been able to qualify as alternative power sources.

The Public Utility Regulatory Policies Act (PURPA), instituted under the National Energy Act of 1978, created a market for power generated by private, non-utility developers and expanded opportunities for energy-production pioneers. The act mandated investor-owned utilities and public-power districts, as well as their wholesale suppliers, purchase a certain percentage of their generation capacity from independent power producers.

At the state level, public utility commissions (PUCs) exercised flexibility and determined whether independently produced power had to come from renewable resources (i.e., wind power, hydro, biomass and solid waste), or could be purchased from large industrial concerns that provided their own supply and had additional capacity remaining to sell to the utility. Sawmills, oil refineries and chemical companies represent the latter.

Most PUCs felt PURPA should give small entrepreneurs a chance. As a result, the early 1980s were marked by a proliferation of small developers, joint ventures and partnerships anxious to enter the independent, power-production market.

Since its enactment, however, PURPA has become controversial. During the past 10 years, the international politics affecting the supply of imported oil have changed significantly. Although the Organization of Petroleum Exporting Countries (OPEC) still controls the bulk of the world's oil supply, crude oil prices have fallen to approximately $14 per barrel. In addition, an abundant hydropower supply, coupled with utilities' ability to transport power over long distances, has led to greater economies of scale, making a stronger case against alternative power.

While economic incentives to pursue domestic oil exploration have vanished, alternative fuels still play an important role in diminishing America's reliance on foreign oil. As this nation enters a new decade, PURPA, as the critical legislation enabling municipalities to stabilize their tipping fees, is undergoing significant changes that may weaken its original intent substantially. What impact will these changes have on the tipping fees municipalities must pay for waste disposal?

The majority of waste-to-energy projects generate electricity that is sold to an investor-owned utility or public-power district. To facilitate long-term contractual arrangements, these projects must be approved by the Federal Energy Regulatory Commission (FERC) prior to project financing. If approved, they are referred to as qualifying facilities (QFs).

Since a community's waste-disposal service contract extends usually for 20 to 25 years, the electrical sales agreement must cover the same term to ensure bondholders are paid, and the municipality is guaranteed a revenue stream during the project's life. Most waste-to-energy projects are based on dual revenue streams to cover the project's costs. Ideally, tipping fees generate 60 to 70 percent of total revenue, while electrical and/or steam sales account for the remainder.

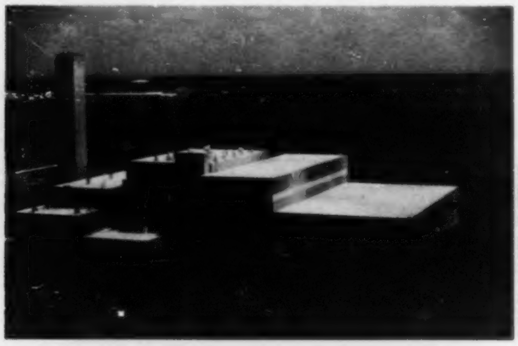
In a typical transaction, the city or county receives 90 percent of energy revenue, with the balance going to the private contractor. Electricity contracts must stand alone and be attractive to the host utility as a reliable, economic source of power — without using the enforcement implicit in PURPA, mandating a percentage of the utility's power be purchased from private developers who use renewable resources as fuel. Nevertheless, different types of contracts exist. Without the power of PURPA, some utilities may be unwilling to take on additional capacity, even when it is more economic than their own.

The types of electrical agreements vary from project to project. All, however, involve an energy payment based on kilowatt-hours (kwh) the facility delivers to the utility. In addition, capacity payments are made to projects for making available generating capacity, should the utility need it.

Although the heat content of the waste, and amount of energy produced, may vary from season to season, capacity payment is fixed for 20 to 25 years. The energy payment varies annually at a rate defined by a cost index, or on the basis of other fuel costs.

The 1,125-ton-per-day Walter B. Hall Resource Recovery Facility, located in Tulsa, Okla., primarily provides 240,000 pounds of steam per hour to an oil refinery located near the facility. Should the Public Service Co. of Oklahoma (PSO) experience a major outage and need additional power, the resource-recovery facility would be obligated to provide PSO with 16 megawatts (mw) of peaking and emergency power at a rate of 6.36 cents per kwh from the facility's 20-mw turbine.

Under PURPA, numerous state utility commissions, most notably the California Energy Commission (CEC), allowed utilities to enter into standardized contracts, called Standard Offers (SOs), that provided the same terms, regardless of the type of fuel used. From the independent power producer's perspective, SO No. 4 contracts in California represented the most lucrative deal because they paid the highest rate per kwh, based on the avoided cost of building additional natural-gas or oil-generation capacity. Subsequently, California utilities proved to the CEC hydropower can be purchased from the Pacific Northwest at significantly lower rates. SO No. 4 contracts no longer exist, and the market for non-utility power in California is unattractive.


OGDEN MARTIN SYSTEMS

Located near Modesto, Calif., the 800-tpd Stanislaus County Resource Recovery Facility will begin commercial operation in early 1989. Under this SO No. 4 agreement with Pacific Gas & Electric (PG&E), the project will receive a capacity payment of $167 per kilowatt-year and an energy payment of approximately 7.3 cents per kwh, escalated at 7 percent annually during the first 10 years. For the remaining 10 years of the contract, the payment will be based on PG&E's full short-run avoided operating costs.

Stanislaus County is one of the few successfully implemented waste-to-energy facilities in California, in part, because of the attractive energy price, which has helped offset city and county tipping fees.

In working with utilities during the feasibility and implementation phases of waste-to-energy projects, knowing the fuel mix of a utility's capacity is helpful. If the utility is in the process of bringing a major coal-fired or nuclear-power facility online, it will be paying off a long-term debt. The utility will argue any additional generation capacity will have adverse, irreversible repercussions for ratepayers.

With the over-building of thermal capacity during the 1970s, many investor-owned utilities have surplus power margins as high as 15 to 20 percent. Consequently, they have been able to prove to state commissions alternative sources would impact their rate base negatively, resulting in higher consumer rates.

Waste-to-energy system contractors need to keep in mind utilities have worked to earn a "good-neighbor" reputation based on their ability to provide reliable service. Given their long-standing relationship with local residents, bringing utilities into the implementation process early on is wise.

Many state PUCs have a more open, flexible approach to alternative power, and will provide more flexibility in requiring investor-owned utilities to purchase from qualified facilities.

But a recent FERC ruling pertaining to the Orange & Rockland, N.Y., utility's appeal of a PUC-set avoided-cost rate of six cents per kwh has sent a confusing signal to state PUCs. The ruling revoked previous interpretations by stating utilities involved in interstate commerce (Orange & Rockland and its associated customers supplied power to part of New York, New Jersey and Pennsylvania) can no longer be forced to buy electricity for more than the cost of generating power alone.

Since 1981, New York has required utilities to pay certain independent producers six cents per kwh for electricity; Orange & Rockland says it now can produce that amount for 2½ cents. The ruling appears to have pre-empted the utility company from establishing minimum prices for avoided cost. In particular, FERC's decision seems to reserve the original intent of Section 210e, which gave state PUCs authority to set their own minimum and maximum avoided-cost rates.

In working with utilities, tailoring the agreement also is helpful. Most electrical agreements have clauses for on-peak and off-peak power purchases. A utility's demand curve usually peaks between 7 a.m. and 11 p.m. Some contractual arrangements provide a higher avoided cost for energy supplied during hours of heavy usage. Flexibility is a necessity in negotiating an electrical agreement; no two are exactly alike. From the private contractor's perspective, what is good for the utility also is good for the private operator and municipality.

Through the benefits of the Public Utilities Holding Act, some investor-owned utilities are entering the independent power market and developing waste-to-energy projects through separate subsidiaries that provide tax benefits in the form of accelerated-depreciation rates. Waste-to-energy system contractors, however, should not perceive this as a competitive threat.

In the future, waste-to-energy system contractors likely will team up on projects with investor-owned utilities. The systems contractor could operate the plant for 20 to 25 years, while the utility would retain ownership. Many municipalities with limited bonding capacity could rely on their local utility to finance the facility by contributing equity.

This potential business partnership further reinforces the need to strike an agreement mutually beneficial to both parties, rather than using the coercive power of PURPA to obtain the most lucrative avoided cost. As a private owner, utilities should hire an experienced operator.

At this point, determining how and to what extent the Orange & Rockland decision will affect the financing of waste-to-energy projects is difficult. As the recent ruling works its way through the judiciary appeals process, waste-to-energy developers will have a better idea whether FERC has pre-empted the state PUCs by exempting qualified facilities from the Federal Power Act, the Public Utility Holding Company Act, and certain state laws.

Judging from the way the NPRs and the recent decision are written, waste-to-energy facilities will not be granted special protection or preference.

The impact of recent rulings on alternative energy payments municipalities and private operators receive from waste-to-energy facilities cannot yet be determined. While the electricity agreement plays an important role in stabilizing disposal costs during the life of a waste-disposal project, the dramatic increase in landfilling fees incurred by local governments — including the expense of hauling waste out of state to find a disposal site — justifies the need for a long-term solution only a waste-to-energy facility can provide. ☐

David Sokol is president and chief executive officer of Ogden Martin Systems, Fairfield, N.J.

MUNICIPAL COST INDEXES

The **Producer Price Index** jumped 0.7 percent to 106.5, marking the largest gain among this month's indexes. Both the **Municipal Cost Index** and the **Consumer Price Index** registered 0.3-percent increases, to 114.3 and 117.5, respectively. The **Construction Cost Index** remained steady at 117.2.

In an effort to keep track of the most useful commodities for its readers, *American City & County* now will feature three new items in **This Month's Marketbasket.** These include communication equipment, pumps and compressors, and tools and dies. The publishers hope this monthly department will continue to be helpful to local-government administrators.

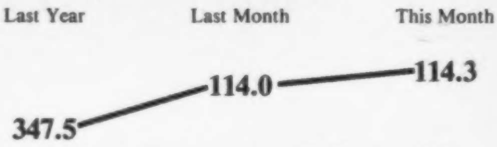
—Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	112.6	−0.1	3.4
Apparel	110.7	0.8	2.4
Asphalt Roofing	92.1	−0.5	0.9
Coal	95.4	0.2	−1.4
Communication Equipment	103.7	0.2	1.3
Concrete Products	109.9	0	0.5
Construction Machinery	111.1	0.2	1.7
Diesel Fuel	54.5	1.9	2.6
Electric Components	116.3	0.4	1.5
Electric Power	107.7	0	−0.2
Fans, Blowers	113.4	0.4	2.5
Floor Coverings	113.5	0.5	3.3
Flow Instruments	116.2	−0.1	2.2
Fuel Oil No. 2	54.5	2.4	0.9
Furniture	123.6	−0.1	4.4
Gasoline	59.6	4.9	1.5
Generator Sets	120.7	0.4	5.3
Glass	109.6	0.4	3.0
Glass Containers	112.1	−0.2	−1.0
Gypsum Products	111.3	−2.0	−14.1
Hardware	113.0	0.3	3.1
Heating Equipment	116.6	0.1	0.9
HVAC Controls	113.9	0.2	0.4
Industrial Chemicals	104.1	0.4	9.3
I.C. Engines	110.9	0.1	1.4
LP Gas	55.0	2.2	−6.5
Lubricants	104.2	0.4	5.0
Lumber	134.1	0.3	6.4
Metal Fabrications	113.9	0.7	9.1
Mixed Fertilizers	1-5.5	0.5	12.2
Motor Vehicle Parts	106.8	0.3	0.8
Mowers	113.1	0	0.8
Natural Gas	77.5	−3.8	−2.5
Office Machines	106.6	0	1.7
Paint	112.9	0.6	5.8
Paper	122.0	0.8	11.0
Passenger Cars	111.4	−0.3	−1.2
Plumbing Fixtures	125.9	0.3	4.9
Plywood	100.3	−1.8	1.0
Portland Cement	103.1	0.3	0.1
Pumps, Compressors	107.8	0.3	2.7
Residual Fuel	42.6	5.2	−21.3
Rubber Products	106.0	−0.7	10.3
Sand, Gravel	121.2	0.3	2.5
Sanitary Papers	114.2	3.0	5.5
Soaps, Detergents	113.2	1.3	3.8
Sporting Goods	105.7	0.3	3.8
Steel Mill Products	110.5	0.8	9.4
Switchgear	112.9	0	2.3
Tires, Tubes	93.9	0.5	3.9
Tools, Dies	110.1	0	1.2
Transformers	107.5	−0.5	0.5
Trucks	110.8	0	−0.7
Valves	112.8	0.3	4.0
Wire, Cable	123.2	−0.8	20.5
Wiring Devices	123.1	−0.2	4.2

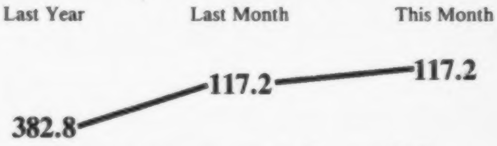
At-A-Glance Changes

MUNICIPAL COST INDEX



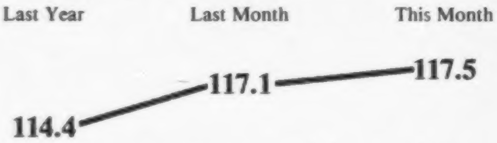
Percent Change From Last: Month **0.3** Year **4.2**

CONSTRUCTION COST INDEX



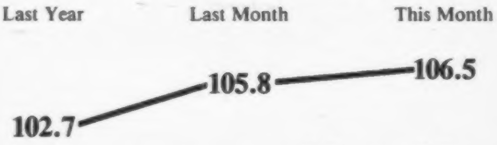
Percent Change From Last: Month **0** Year **2.8**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.3** Year **2.7**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.7** Year **3.7**

These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	682.4	2.8	8.0
Federal Grants	111.2	10.0	9.8
Durable Purchases	29.3	2.8	11.4
Consumables	45.7	0.4	9.9
Services	430.0	2.1	8.3
Structures	64.8	−0.2	1.1
Salaries, Wages	338.3	2.0	7.9
Surplus	91.7	2.6	10.3
Employment	14.413M	0.9	−18.5

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SEPTEMBER 1988

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Bridging Past and Present

This issue marks the beginning of our 80th year as America's "Voice of Local Government." Arthur Grant, the magazine's first editor and co-founder, recognized early the leadership role cities would play in the economic and societal growth of the United States. His 1909 vision included a magazine appealing to the more-subtle qualities of cities and their populations. Early issues of *The American City* stressed the necessity of providing a healthy, safe urban environment.

Over the past eight decades, the magazine has changed ownership four times; it became *American City & County* during the mid 1970s. In 1983, Communication Channels Inc. purchased the publication.

Beginning with this issue and continuing throughout the coming year, we will be looking back at previous issues and reprinting articles from the past eight decades, under the title "Our 80th Year." The problems local governments face have not changed throughout the past 80 years, but the solutions have. These articles provide a unique perspective for today's municipal managers from their counterparts of yesteryear. ☐

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EDITOR'S VIEW

My Last Editorial

Perhaps the first time I truly grasped the importance and credibility of *American City & County* magazine was about four years ago as I sat in an almost empty hotel restaurant on the bank of The Riverwalk in San Antonio. The restaurant was closed but I was being served breakfast, not so much because of who I was or what I represented, but more because of the status of my host — Mayor Henry Cisneros.

Everyone has benchmarks in their lives, and this was one of mine. The stature of *American City & County* had brought the two of us together that morning, in an empty restaurant catering two individuals — one an Hispanic-American with presidential credentials and the other a well-traveled journalist whose maternal grandparents spoke no English when they arrived from Italy half a century ago.

Actually, the learning process for me began months earlier, even back to that July day in 1983 when I first saw *American City & County*, envisioning the great avenues a magazine with such a name could meander. True, by that July day the magazine had hit its lowest ebb since founder and first editor Arthur Grant sold his fledging publication to Harold and Edgar Buttenheim in 1911. But in 1983 a faithful audience of city and county leaders still relied on *American City & County* for information useful in their jobs, and discussion of the issues and trends most important to local government.

Early in 1984, we began preparations for the 75th anniversary of this long-great publication, still not quite familiar with the audience and the latent potential of the magazine. During that preparation, I took the time to read many of the old editions, including the very first. Grant's vision of a publication representing the interests of the nation's cities was inspiring. He saw his creation, then titled *The American City*, as not only a watchdog for the needs of cities, but also as a conscience of sorts to safeguard the public interest.

The 75th anniversary issue of *American City & County* is one of my favorites. The result of our research was a compendium of the best of *American City & County*, including articles by Calvin Coolidge, Franklin Roosevelt and Lyndon Johnson. What was interesting throughout that edition of reprints of older articles was the realization it gave me that the problems of decades ago are still the challenges of today. Local government still fights the waste disposal, street repair and water supply and treatment battles, along with newer concerns such as health care and homelessness.

American City & County has made many influential friends in the last 79 years; I feel fortunate to have been a part of that process in the last five. During those five years, I've had the privilege of working with many of the top officers of such organizations as the U.S. Conference of Mayors, American Public Works Association, National League of Cities, National Association of Counties, International City Management Association and Government Finance Officers Association. Many of those officers served on the magazine's Editorial Advisory Board and helped me formulate direction for this publication. I was always struck how these important people would invariably agree to a stranger's invitation to serve on this board.

How can I ever adequately thank such fine people as Henry Cisneros, Charleston, S.C., Mayor Joe Riley, High Point, N.C., Public Works Director Carl Wills, Kenton County, Ky., County Executive Bob Aldemeyer, Indianapolis Public Works Director Barbara Gole, and retired Hartford, Conn., Finance Director John Walsh. The list seems almost endless.

Over the last five years, these people have helped me grow, and helped *American City & County* prosper. Their support and guidance are much of what I will miss now as I step down as editor of this magazine to take on another challenge offered to me by Communication Channels Inc., the parent company of *American City & County.* I leave this magazine truly with a heavy heart, my friends, but I will be only a corridor or two away — although part of my soul will remain with *American City & County.*

This magazine has greatness as its heritage, public service as its goal, and influential friends as its supporters in every city, county, town and hamlet in the United States. This month marks the beginning of the 80th year of one of America's most-important publications, as well as my last as editor.

Keep the faith and keep in touch. ☐

— Ken Anderberg

NLC Examines Ways To Help Families

Using surveys, detailed examinations of selected cities and other information, the National League of Cities (NLC) is examining ways local governments can respond to the needs of children and families. John Kyle, former director of Maryland's Office for Children and Youth, is directing the effort.

The NLC "Kids Project" will encourage and enable local officials to be more responsive to the special needs of children and families, especially those living in poverty or who are otherwise "at risk."

"There is a growing interest among city officials in issues relating to children and families," says Alan Beals, NLC executive director. The league conducts research on urban policy issues and works as an advocate for cities in the development and implementation of federal policies and programs. This project, funded by grants from the Lilly Endowment, Carnegie Corp. and the Rockefeller Foundation, is the second phase of NLC's research on issues involving children and families.

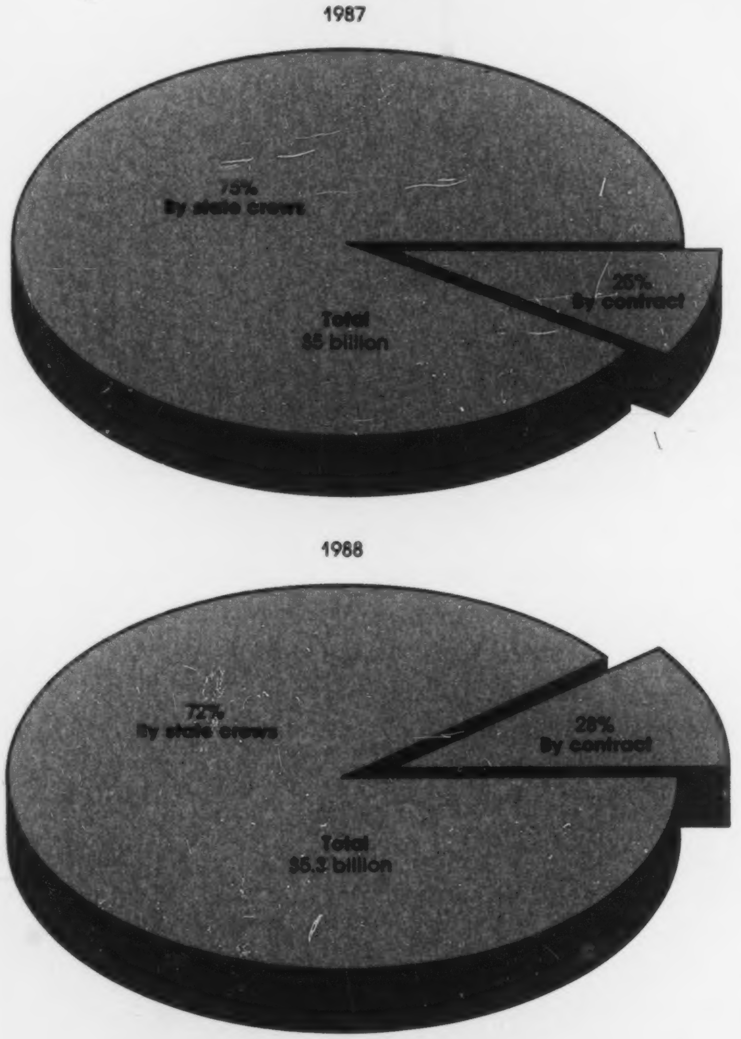
William Barnes, NLC's director of research, says the project will lay the groundwork for future efforts establishing broad, long-term presence, resources and action by NLC and local governments to assist children and families in the nation's cities and towns.

Much of the research will focus on problems encountered by children and families living in poverty or socially at-risk. More than 20 percent of America's children live in poverty, and students from poor families are three to four times more likely to drop out of school than students from more affluent families.

The NLC "Kids Project" will lead to the development of data bases for information sharing, technical assistance and conference workshops.

SURVEY SPOTLIGHT

Highway Maintenance Budgets Grow



Source: ENR Construction Economics Department

State highway budgets have increased over the past year, and this month's SURVEY SPOTLIGHT illustrates how much maintenance is performed by state crews and through private contracts.

Innovative Approaches Honored at Local Level

An imaginative approach to financing water and sewage facilities in Escondido, Calif., a program helping Chicago welfare recipients find and keep jobs, and a project preserving jobs in mature Massachusetts industries are three of 25 projects named finalists in the 1988 Innovations in State and Local Government Awards Program. The program is sponsored jointly by the Ford Foundation and the John F. Kennedy School of Government at Harvard University.

The awards, now in their third year, recognize innovation and creativity in dealing with complex social and economic problems faced by state and local governments, and identify a broad range of new and unusual approaches that can serve as models for other areas. Of the projects selected, nine originated from state governments, nine from cities, five from counties, one from a township and one from an interstate agency.

Each finalist will appear before a selection committee and 10 winners will be announced later this month. The winners will receive a Ford grant of $100,000.

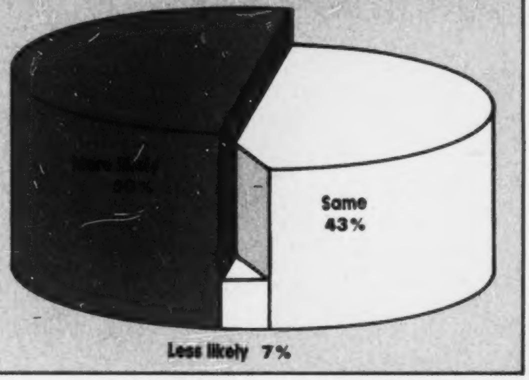
"Since its beginning in 1986, more than 3,000 projects have competed, demonstrating a tremendous depth and range of problem-solving abilities," says

Creative Management Through Privatization

By John R. Miller and Christopher R. Tufts

Is your community more or less likely to privatize services today than five years ago?

SOURCE: AC&C Public Finance Survey/Based on 382 responses.



American industry leaders have come to realize if they want to hold a competitive place in the global economy, they must demonstrate their products represent the best value to the buying public. Consumers are more interested in quality and value than brand loyalty. This mode of economics-based decision-making is now, more than ever, being applied by taxpayers to the services delivered by local governments. Taxpayers are demanding the best value for their hard-earned dollars.

Many companies are adopting "downsizing" business strategies. Key components of downsizing include productivity and quality-improvement programs, mergers, streamlined operations, and divestiture of unprofitable businesses.

In short, companies have come to realize in order to win in the marketplace they need to accomplish more with less — fewer people, less money, less time, less space and fewer resources, in general. All this must be balanced with creative management.

As many corporate leaders are retrenching to do better what they do best, so, too, must government be willing to do the same. Peter Drucker, in his book, "The Age of Discontinuity," called for "reprivatization" of many government functions, saying, "The purpose of government is to make fundamental decisions and to make them effectively. The purpose of government is to focus the political energies of society. It is to dramatize issues. It is to present fundamental choices. The purpose of government, in other words, is to govern. This, as we have learned in other institutions, is incompatible with 'doing.' Any attempt to combine governing with 'doing' on a large scale paralyzes governments' decision-making capacity."

One downsizing alternative for government to consider is to competitively engage the private sector to produce goods and services readily available from any commercial source. Although the current impetus for privatization is largely pragmatic, the guiding political principle behind it is as old as the nation itself. Americans long have vacillated between Jeffersonian and Hamiltonian philosophies of government. The new momentum for privatization, however, transcends political and ideological boundaries, rooted as it is in the determination of creative government managers to develop innovative solutions to serve the public interest best.

Today, there is broad and growing consensus that privatization, properly implemented, is a legitimate response to a wide range of concerns. Experience shows the private sector can provide many services rendered by government, with equal or greater effectiveness — and at lower cost. Consequently, privatization is likely to exert a powerful influence over the shape of political and economic institutions in coming years.

What is privatization? George Wilson, distinguished professor of business and economics at the Indiana University School of Business, defines privatization on a philosophical plane. He writes, "The broader and more relevant meaning of privatization must refer to nothing more or less than greater reliance upon market forces to generate production of particular goods and services."

In practical terms, privatization is a process by which government engages the private sector to provide capital or otherwise finance government programs, purchase government assets, and/or operate government programs through various types of contractual arrangements.

As privatization usually occurs in combination with other downsizing initiatives, so do many privatization transactions involve combined methods. For example, private-sector capital and other financing, using such vehicles as leveraged leasing, lease purchases and turnkey contracts, are accompanied frequently by operation of government programs through one of four types of arrangements: franchises, grants, vouchers or contracts.

What are the primary objectives of privatization?

- Improve the use of scarce resources by reducing the costs of providing public services, particularly where private enterprise is strong and government is assured of more effective services at lower costs;
- modify the role of government from that of a primary producer of goods and services to that of governing;
- enable government to meet responsibilities that might otherwise be abandoned because they are too costly;
- reduce the debt burden; and
- limit tax rates.

Privatization is not new. The practice can be traced to the first bank of the United States, which served as the federal government's fiscal agency and principal depository of the Treasury and was owned by private shareholders. When the federal government wanted to deliver mail to its citizens west of the Mississippi River, it contracted 80 horseback riders, 40 going each way — and the Pony Express was born. The Homestead Act gave settlers government-owned land if they agreed to cultivate soil for a small fee in a fixed period.

JERRY HOY/DOUBLE VISION

The private sector and most local governments historically have utilized business or quasi-government entities to deliver or administer certain services or functions. In the last decade, privatization has expanded from capital construction and professional service contracts to traditionally in-house administrative and public-service program areas, with the majority of governments contracting for at least some legal, medical, engineering, technical and professional services. Indeed, state- and local-government spending for public services performed by the private sector rose from $27.4 billion in 1975 to well over $100 billion in 1985.

State government, though less active than local government, is experimenting with privatization in many areas. California alone wrote 7,000 contracts in 1985 worth more than $2 billion to carry out functions in such areas as mental health, corrections and the entire range of administrative services.

> Privatization is likely to exert a powerful influence over the shape of political entities in coming years.

The trend toward privatization will continue to grow even though the growth rate for state and local governments will be less than that experienced in the last couple of decades.

A government should consider privatization when its operations are related to the central function of governance, including legislative, judicial and certain financial activities such as rate setting, debt issuance and revenue policy; current service is in direct competition with services operated by the private sector; cost of an existing government-provided service exceeds the available or projected resources; and current operations are inefficient or service is of poor quality.

Some examples of successful privatized service delivery include:

Fire protection. Rural/Metro Fire Department Corp., a privately owned company, serves half a million people in Arizona, one-fifth the state's population, and 100,000 more in Tennessee. In Scottsdale, Ariz., Rural/Metro's $2.3-million contract averages $20 per capita per year, compared with an average of $50 for public fire departments in similar cities. Scottsdale's fire insurance rates, the best measure of firefighting effectiveness, are average.

Ambulance service. Newton, Mass., estimates nearly $500,000 savings by privatizing its ambulance service while, at the same time, increasing ambulance availability and coverage.

Grounds maintenance. The Rye, N.Y., school district recently contracted for grounds maintenance with a private company at an estimated savings this year of $34,000, a big number for taxpayers.

Fleet maintenance. Philadelphia contracts for the repair, maintenance and replacement of its motor-vehicle fleet at an estimated savings of more than $4 million in the past four years.

Health care. In Corsicana, Texas, the Navarro County Hospital was old, losing money and about to lose its accreditation. To put it in shape, $12 million was needed. The county turned the hospital over to Hospital Corporation of America, which built a new hospital right next to the old one. The former hospital cost taxpayers $50,000 a year to operate; the new one is paying taxes of more than $300,000 a year.

Data processing. Orange County, Calif., estimates savings of more than $3 million over the past 12 years by hiring a private firm to run its computer center. More importantly, private management of the center by Martin-Marietta has helped keep county costs under control in a county that has doubled in population since 1973.

Not all privatization ventures are successful, however. Two towns in Ohio hired a private security firm to provide police protection. The equipment provided was totally unacceptable. Both towns have fired the company and hired the company's guards to be public police officers.

In another case, a city contracted for trash pickup at one cent per household per month less than the city could provide the service. The company could not work that cheaply, and within months was raising cash by selling equipment that had been donated by the city. Service fell apart at Thanksgiving and Christmas when garbage piled up faster than the company could collect it. A new company took over the contract. "This makes me a lot more cautious," the city's mayor said. "It was a false economy to take a bid that was low by one cent per household per month."

The process of achieving privatization should begin with an analysis of privatization alternatives (franchises, grants, vouchers and contracts) to the current delivery practiced. The analysis should address implementation feasibility, technical performance and cost. The objectives of this analysis are to put parameters around what is to be privatized, select the most appropriate privatization method and develop a scheduled work plan for implementing the transaction.

To meet these objectives, a multi-disciplined team approach is needed. This team should consist of personnel with technical experience in the function under review; legal, personnel, fiscal and contracts staff; and political advisory and independent review support. The team approach provides the appropriate balance of expertise to ensure all issues are identified and practical solutions are formulated. Most importantly, the team approach provides appropriate balance between program, fiscal and political considerations.

While many jurisdictions consider privatization alternatives for apparent fiscal reasons, the first step is to examine the implementation feasibility of privatization alternatives relative to current service delivery. A well-executed implementation-feasibility study will address four key areas:

Political barriers. Can the 50-year legacy of growth in government production of goods and services be overcome? Are the current coalitions of beneficiaries, near beneficiaries, service providers, government administrators, officials, political activists, unions and general populace amenable to change? How do you build the coalitions necessary to support the change process?

Legal issue. What are the statutory, regulatory and tax-law barriers, incentives, and/or requirements for privatization? What modifications to union agreements or ongoing contracts are required? What is the liability impact?

Market. Is the private-sector market mature and developing? Has the private sector shown interest through unsolicited proposals, industry studies or research by industry experts? Are there sufficient qualified bidders to ensure competition and provide the government a favorable risk/reward ratio? What is the private-sector track record in government contract performance? Does the private sector perceive a favorable risk/reward ratio?

Government operations. Will privatizing selected functions of a department disrupt its operations continuity? How will the affected employees be treated? How will privatization impact accountability? Who, how and with what frequency will the private sector be monitored? What are the performance measures to determine whether performance standards have been met? How will the government control the quality, timing and cost of delivery of privatized services? What are the appropriate penalties (or incentives) to ensure compliance with performance standards and service requirements?

Once the implementation feasibility of alternatives has been examined, the next step is to measure the ratio of anticipated implementation difficulties to the assumed benefits. Each alternative must be evaluated in terms of technical performance criteria to include, but not be limited to:

Availability. Will all consumers, including disadvantaged groups or those in geographically remote regions, be served? Will the service cost be fairly distributed to all consumers? Will the overall cost to citizens increase?

Quality and effectiveness. Will government objectives be achieved more effectively? Will the quality of service improve? Northern Virginia, for example, is pilot-testing subsidized private taxi service to transport passengers from subway stops to bus stops. Passengers pay bus-fare rates and must call in advance to use the service. This program is designed to encourage subway ridership and reduce the cost of operating feeder bus lines.

Risks. Will service disruptions be more likely? What contingencies will be required? A risk analysis quantifying the technical, implementation and cost risks of each alternate delivery option provides a comprehensive and disciplined approach toward reducing uncertainty.

Program impacts. What benefits will be derived? If the computer data center is privatized, will there be benefits from new technology? How will it impact on the operations of department users?

Since privatization is influenced heavily by cost, a thorough costing, economic and pricing analysis needs to be performed for each alternative. The purpose is to estimate potential savings, assess the economic impact, determine specific costs and establish pricing requirements. Three types of studies are performed most frequently.

Financial feasibility studies determine the current and future gross and net costs or savings of the planned privatization transactions compared to the current operating method.

A cost-benefit analysis reveals the costs of new, usually in-

A Big Bargain for a Small Town

Clinton Mayor Bobby Yates, left, and Aqua president T. David Whitehouse survey the city's $950,000 wastewater system, the first project completed under the state's 1986 privatization legislation.

Mayor Bobby Yates of Clinton, Ky., likes to cook. He also likes to cook up a good deal. His six-foot-plus frame has a satisfied look, offering evidence of his kitchen credentials. Be it the pork shoulder from Nickey's (proud local source of "the best barbeque in the world") or the fat blackberries neatly boxed in the basement of his office, Yates claims a cupboard stocked almost all the time with the best deals in town.

Mayor Yates relishes his bargains on food, but not more than he savors the success of what he considers his best bargain so far: a privatization agreement cutting 30 percent off the cost of Clinton's once-beleaguered wastewater project.

One year after signing with the Aqua Corp., Lexington, Ky., for financing, engineering and construction services, only the punch list is left on Kentucky's first wastewater system upgrade completed with private sector support. Clinton's contract with the company trimmed a $1.3-million project price tag to $950,000.

For Yates, this is real satisfaction. "When they send you a letter from Atlanta saying they're going to fine you and send you to jail, it scares the hell out of you," he says. "Then they jerked the grant money out from under us. I was almost ready to resign because of the hassle of it all."

These are serious words, coming from the man who has held public office in his beloved small town (population 1,800) for 26 years. But in 1981, when the U.S. Environmental Protection Agency (EPA) put Clinton under an administrative order to upgrade local wastewater facilities, the town was in a serious situation.

Clinton faced a dilemma encountered by many municipalities: an EPA-mandated wastewater project, an unfundable grants position and few dollars to squeeze from a hard-pressed budget.

Things took a turn for the better in 1986, when the state's General Assembly passed the Kentucky Privatization Act. The law allowed local governments to contract with the private sector to own or operate water and wastewater utilities.

"The approach to privatization used in Clinton is one that has real potential for many communities," says Aqua president T. David Whitehouse. "The ownership of the wastewater system remained in Clinton's hands, which allowed for a tax-free revenue bond issue. It was the capability brought to the table on Clinton's behalf in securing the financing, engineering and construction services that pushed project costs way down."

Clinton is meeting its obligations to the bank underwriting the project (and to the project's eventual bondholders) with a sewer user charge system implemented in October 1987. The user charge replaced Clinton's previous outlay of ad valorem tax revenues from the general fund to pay for wastewater system expenses.

Although monthly sewer rates rose to about $15 per household, privatizing Clinton's wastewater project averted a $45 hike anticipated when planning began during the "201" stage of the EPA's construction grant process. ☐

novative methods of providing services or doing business, comparing them to the benefits of the alternatives, and identifying the most cost-responsive methods.

Cost and pricing studies identify and examine the direct, indirect, fixed, variable, opportunity and oversight costs associated with a privatization transaction for different levels of service; define what will happen to total costs as the service levels change; and recommend pricing strategies to achieve desired utilizations, cash throw-offs or rates of return.

For each study, the first step should be to determine what constitutes cost, where the data should be obtained, how costs should be calculated and how costs should be projected for future years.

Having completed the implementation-feasibility, technical-performance and cost analyses, a government manager can select and implement the preferred method of service delivery. Privatization, however, is not a panacea for all the challenges facing government managers. It can be one of several downsizing alternatives available and offers an opportunity to introduce the cost-saving, creative, service-generating aspects of competition into the public arena.

Public managers should retain decision-making responsibility, since they must decide what services will be privatized and who will provide them. If managers find a government can provide a service more efficiently and effectively than the private sector, then it would be irresponsible to choose privatization.

Not all methods of privatization will benefit all parties or work in all situations. The concept works best when public managers carefully examine public assets and services, determine which can be replaced by private functions, thoroughly evaluate private-sector competition, assemble representatives from all affected parties to agree mutually on alternatives and solutions, and analyze the combination of tactics to satisfy a broad range of constituents. The key is to develop a workable mix of program and fiscal alternatives.

The challenge to public managers today is to identify and manage that change. □

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The Impact on Economic Growth

The proponents of privatization see a zero-sum relationship between government and the economy. The bigger the public sector, the smaller the private economy. The more public spending, the less private savings and investment. Hence, in this simple view, privatization is certain to increase savings, investment, productivity and growth.

If government spending generally retarded economic development, the Western economies with the highest ratios of public expenditures to gross national product would be experiencing the slowest growth. However, comparative studies show that not to be the case.

The conservative view of government as an economic black hole misses what government adds to the productive resources of society and overstates what government takes away. First, much public spending represents investment in human and intangible capital as well as physical infrastructure. In the United States, the structure of the federal budget (which fails to distinguish capital expenditures) and the national income accounts (which treat all government expenditures as consumption) obscure these contributions of public spending to the nation's capital stock and long-run economic development.

Secondly, much of the contemporary increase in public spending has come in the form of transfer payments, which redistribute income but do not exhaust resources otherwise available for investment. To be sure, the governments of some countries have subsidized inefficient industries heavily, but others have used public programs to reduce opposition to industrial change by cushioning workers against unemployment and retraining them for jobs in expanding sectors. The effect of government growth depends on the character of its intervention.

The case for privatization as a means of bringing about deep reductions in government activity also neglects the contribution of increased public expenditures to economic stabilization. The business cycle has far from been abolished, but the cycle has been much less severe in the last 50 years since the scale of taxation and spending provides governments with the tools of fiscal management they formerly lacked.

Nor is there the slightest chance governments will unload responsibility for economic and financial stability. Voters will not allow it, nor will the banks. When Continental Illinois was on the verge of collapse in 1984, the Reagan administration did not hesitate to rescue it. Governmental assumption of risk, whether for the potential insolvency of pension funds, savings and loan associations, or the international financial system, shows every sign of continuing. In these persistent patterns, a lesson emerges about the limits of privatization: governments will continue to be held accountable for economic growth and security. Disengagement from macroeconomic management is impossible.

The theory of "public choice" often provides the rationale for privatization proposals. Public choice analysts attempt to explain political decisions with the same logic economists apply to markets. In this view, the public arena is nothing but a political marketplace where politicians, public employees and competing groups of beneficiaries seek their own narrow interests — often at the expense of the general welfare.

Government expands because bureaucrats maximize their budgets, and beneficiaries with "concentrated" interests in program expansion exercise more political muscle than do taxpayers with "diffuse" interests in restraint. As an explanation for the development of the modern state, the theory cannot explain the variations over time or across societies.

If the influences on the budget always were one-sidedly in favor of expansion, spending should have grown rapidly even in those periods when it has not. The economists' narrowly individualistic view of political choice also provides a misleading view of contemporary politics. Contrary to expectations, the general performance of the U.S. economy seems to weigh more heavily in voting decisions than does the voter's individual economic experience.

While conservatives puzzle over the political failure of privatization proposals, they miss the most obvious explanation because it undermines their own theory of government growth. Their proposals for privatizing the modern state make little headway because they would be vastly unpopular. □

This article was excerpted from "The Limits of Privatization" written by Paul Starr, professor of sociology at Princeton University, for the Economic Policy Institute. For more information, or a copy of the complete paper, contact the Economic Policy Institute, 1730 Rhode Island Ave., N.W., Suite 812, Washington, D.C. 20036.

MUNICIPAL COST INDEXES

The **Construction Cost Index** and the **Consumer Price Index** registered identical readings this month of 118.0. The **Producer Price Index** showed the greatest gain from last month, a 0.8 percent rise to 107.4, while the **Municipal Cost Index** increased to 115.0, 4.3 percent from last September.

Communication equipment rose 0.1 percent, to 103.8. Office machines registered 107.1, while electric components increased 1.3 percent.

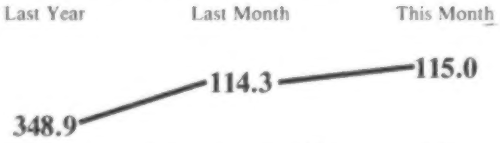
—Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	112.8	0.2	3.5
Apparel	111.7	0.1	0.8
Asphalt Roofing	94.7	2.8	4.2
Coal	95.2	-0.2	-1.3
Communication Equipment	103.8	0.1	1.8
Concrete Products	110.2	0.3	0.8
Construction Machinery	111.2	0.1	1.8
Diesel Fuel	51.0	-6.4	-6.9
Electric Components	117.8	1.3	2.8
Electric Power	114.2	6.0	0.9
Fans, Blowers	112.2	0	1.3
Floor Coverings	113.6	0.1	3.1
Flow Instruments	115.9	-0.3	2.5
Fuel Oil No. 2	50.4	-7.5	-9.7
Furniture	123.7	0.1	4.3
Gasoline	59.2	-0.7	-2.1
Generator Sets	121.7	0.8	6.1
Glass	109.1	-0.5	1.8
Glass Containers	112.2	-0.1	-1.0
Gypsum Products	110.3	-0.9	-13.8
Hardware	112.9	-0.1	2.8
Heating Equipment	118.4	1.5	2.9
HVAC Controls	113.9	0	0.4
Industrial Chemicals	105.9	1.7	8.3
I.C. Engines	110.9	0	1.4
LP Gas	55.8	1.5	-2.1
Lubricants	133.7	1.1	6.9
Lumber	133.4	-0.5	5.5
Metal Fabrications	114.7	-0.7	9.3
Mixed Fertilizers	104.8	-0.7	11.1
Motor Vehicle Parts	106.9	0.1	0.8
Mowers	113.4	0.3	0.9
Natural Gas	76.7	-1.0	-3.4
Office Machines	107.1	0.5	2.2
Paint	113.5	0.5	4.0
Paper	122.3	0.2	11.3
Passenger Cars	112.5	1.0	-0.2
Plumbing Fixtures	126.4	0.4	5.2
Plywood	102.3	2.0	3.5
Portland Cement	103.7	0.6	0.7
Pumps, Compressors	108.6	0.7	3.4
Residual Fuel	43.7	2.6	-20.7
Rubber Products	109.0	2.8	10.2
Sand, Gravel	120.8	-0.3	2.0
Sanitary Papers	114.8	0.5	6.1
Soaps, Detergents	113.8	0.5	4.3
Sporting Goods	105.8	0.2	3.6
Steel Mill Products	111.1	0.5	10.1
Switchgear	113.6	0.6	2.6
Tires, Tubes	94.1	0.2	4.1
Tools, Dies	110.1	0	1.6
Transformers	107.3	-0.2	1.1
Trucks	110.8	0	-0.7
Valves	113.2	0.4	4.4
Wire, Cable	124.0	0.6	20.7
Wiring Devices	123.4	0.2	4.6

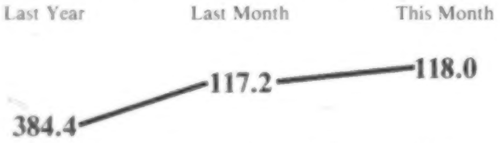
At-A-Glance Changes

MUNICIPAL COST INDEX



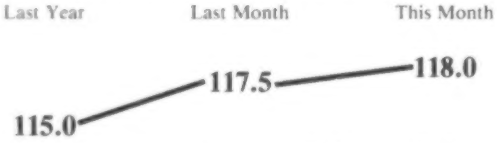
Percent Change From Last: Month **0.6** Year **4.3**

CONSTRUCTION COST INDEX



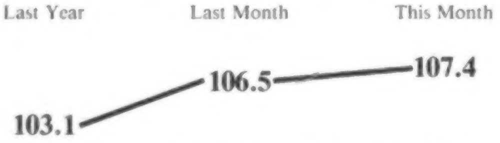
Percent Change From Last: Month **0.7** Year **2.9**

CONSUMER PRICE INDEX (BLS)



Percent Change From Last: Month **0.4** Year **2.6**

PRODUCER PRICE INDEX (BLS)



Percent Change From Last: Month **0.8** Year **4.2**

These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	682.4	2.8	8.0
Federal Grants	111.2	10.0	9.8
Durable Purchases	29.3	2.8	11.4
Consumables	45.7	0.4	9.9
Services	430.0	2.1	8.3
Structures	64.8	-0.2	1.1
Salaries, Wages	338.3	2.0	7.9
Surplus	91.7	2.6	10.3
Employment	14.413M	0.9	-18.5

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Straining To Clean Our Waterways

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October 1988 Vol. 103, No. 10

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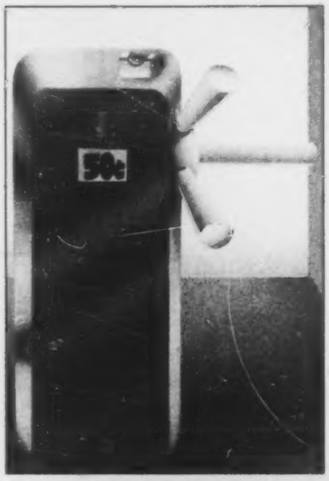

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EDITOR'S VIEW

A New Image

A session on housing draws 29. A workshop on solid waste, about 60. Nine people show up for a meeting about the war on drugs. But at the same conference for government officials — the 53rd annual National Association of Counties (NACo) Conference — hundreds pack in to hear career consultant Mona Moon talk about image projection and power communication skills.

It was extraordinary.

People filled every chair, stood along every wall, sat on the floor, jammed the aisles and overflowed out into the lobby to hear Moon talk about how winners focus on what they want to happen, while losers focus on what they fear will happen. Such things as how to dress to look powerful, how to use body language to project a power image, how to establish a powerful presence, how to enhance your style at meetings and how to communicate with impact.

Nancy Bartlit, chairwoman of the Los Alamos County Council, who moderated two Moon workshops, counted 350 at each session. The workshops were sponsored by Women in NACo, but about as many men attended as women.

What was going on? Why were these county officials passing up meetings on annexation and government finance to get tips on "lightweight mannerisms" (excessive apologies, smiling too much, using a whispery voice) vs. "powerful impressions that build rapport and authority," such as using "I" statements, direct eye contact, a firm handshake?

"The time is right" is how Bartlit explains it. "We're all looking and reaching for better ways to be effective." She wasn't surprised by the turnout at the August meeting; the same thing had happened in March when Moon spoke to the Western Interstate Regional Conference of NACo officials.

Bartlit says many people in county government have never had formal training in communication skills and leadership, particularly women who often run for office after having been community volunteers.

Moon says studies have shown that 63 percent of the people in this country have low self-esteem and women much more so. Consequently, women flock to self-image seminars and read self-help books.

Men probably first tuned in on Moon's sessions at NACo out of curiosity, Bartlit speculates, but remained out of genuine interest and because they found information that was useful. NACo officers were among those in the audience, though there had been grumbling by others associated with NACo that the theme of the women's program wasn't appropriate for the conference.

Why now? Why is the time right for self-improvement sessions to be blossoming at government meetings? Although the human potential movement has been going strong for about 20 years and has become increasingly popular as the world has become more complicated, public institutions are known for lagging behind private industry in innovation. It could be that bureaucrats and elected officials are catching up on a trend that has swept business for several years. "We are coming of age," is the way one participant summed it up.

The popularity of human potential workshops indicates government officials are saying there is more to governing than infrastructure, finance and parks and recreation — more than the nuts and bolts. There is the human side of government, and without learning people skills, it is harder to reach a consensus with others about sewer problems.

D. Michael Stewart, a Salt Lake County commissioner and NACo second vice president, attended two of Moon's seminars and part of the third. He, too, was impressed by the turnout. People are interested in educational workshops that offer "a reprieve," he says — something beyond the normal fare. Besides, he adds, "It's a lot of fun."

On another topic, Associate Editor Tim Darnell did something beyond the normal fare for this month's report on cleaning up America's waterways. To get a first-hand look at one of the nation's worst-case scenarios, Tim spent four days in Boston, interviewing local and statewide legislators, and touring the city's polluted harbor by ferry from Logan International Airport to downtown.

He reports that the water was black — black and murky. He took a lot of pictures and a lot of notes for this issue's wastewater report on how Boston and other cities are solving their sewer problems. But a personal observation left a lingering impression. Said Tim: "I saw a lot of gunk in that water." ☐

—Janette Mitchell

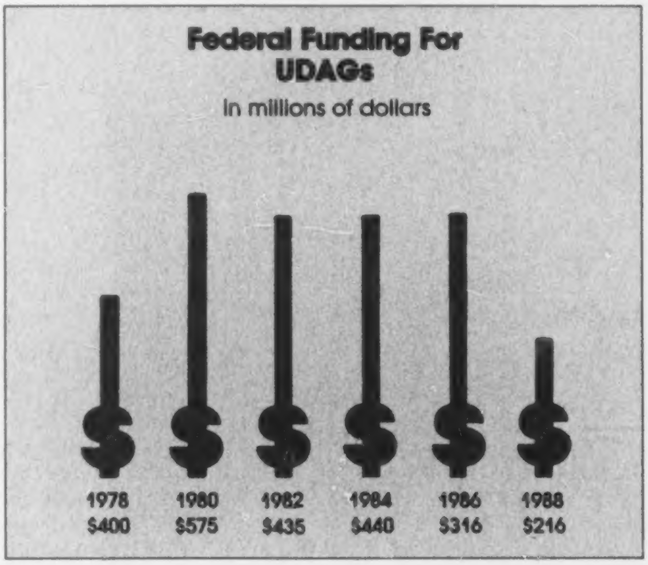
UDAG Elimination Costly

By Kim Beury

"The perversity of federal policy was on display again . . . when both the House and Senate voted to slaughter a goose that has proven itself capable of laying golden eggs, namely the Urban Development Action Grant (UDAG) program," says Alan Beals, executive director of the National League of Cities (NLC).

Recent congressional actions have increased fiscal year 1988 funding for the National Aeronautics and Space Administration (NASA) at the expense of UDAGs, which will be zeroed out.

Capitol Hill insiders consider House Resolution 4800, which eliminated the program, to be the year's most contested spending bill. It allocated funds for the U.S. Department of Housing and Urban Development, the National Science Foundation, NASA and 14 other federal agencies, thereby causing programs aimed at giving the nation a technological edge to compete against those aimed at helping the poor.



"It's sad and it's bad. We oppose any policy which puts programs up against one another," says Eugene Lowe, assistant executive director of the U.S. Conference of Mayors.

"Most local jurisdictions around the country are hard pressed to have any kind of viable economic development plan, and for Congress to opt for space technology over local economic revitalization presents a horrendous problem," says NLC Legislative Council Marvin McGraw. "Only three programs have existed that give local governments a wide degree of flexibility in determining local economic development goals — General Revenue Sharing, UDAGs, and Community Development Block Grants (CDBGs)."

"All in all, the impact is just another loss of monies for local areas added on to all the other losses that we have taken over the last eight years," says Lowe.

For eight years the Reagan administration pushed for the end of UDAGs. But the recent decision is not so much a victory for the administration as it is a consequence of last year's budget summit agreement, which forced appropriators into a corner to make choices between domestic programs.

Some members of Congress such as Rep. Charles Schumer of New York fought unsuccessfully for an amendment that would have saved UDAGs. "It's time we made a statement of our priorities. We all support a strong space program. However, let us first ensure that our needs on this planet are met," says Schumer.

Schumer's amendment, which called for shifting $400 million from NASA to UDAG, the U.S. Environmental Protection Agency, and programs for the homeless, was rejected 166-256. Both houses of Congress sent a bill with no UDAG money to conference committee.

The UDAG program, created under the Carter administration in 1978, has assisted in redeveloping depressed urban areas by supplementing private projects with federal aid. Supporters of UDAG praise the program for creating jobs and stimulating private investment in areas unattractive to developers.

Critics of the program contend UDAGs are "just there to help out people build big skyscrapers," used as a subsidy for rich developers rather than for urban renewal, says Bill Toohey of Baltimore's Department of Housing and Community Development.

Baltimore has received the most UDAG awards in the history of the program. Through the program, Baltimore has leveraged $484 million in private investment, generated $8 million in new property taxes annually, and created more than 8,000 new jobs.

Because the UDAG program has been successful in using relatively small sums of federal money to leverage much larger sums of private sector investment, many observers are perplexed by its elimination. "What astonishes us about the cut in UDAGs is that it's such a highly leveraged program," says NLC President Pamela Plumb. "You get for the public dollar a tremendous return in private leveraging. The federal government actually gets in return more than it is spending through the payroll taxes and so on that get paid from the new industries that develop."

Andis Udris, director of economic development for Cleveland, which has received more than $192 million in UDAG grants since the program's inception, contends the program's leveraging benefits alone should have saved it. "It's essentially generating more federal dollars than it's using.

"Eliminating UDAG is the dumbest thing Congress has ever done. It's the only urban development program that's ever worked," he says, adding that residential neighborhoods, where most of Cleveland's UDAG dollars were used, will inherit the greatest consequences of UDAG's demise.

In what some consider to be a feeble attempt at consolidation, CDBGs received a $120 million increase for FY 1989. "Everything that can be done by UDAGs can in fact be accomplished with CDBGs," said Rep. Bill Green of New York during House negotiations.

National Association of Counties legislative representative for housing, Haron Battle, does not foresee dramatic danger ahead for the CDBG program, which nevertheless has sustained funding cuts over the years. Battle says although the elimination of UDAGs is disappointing, their elimination is better than cutbacks of CDBGs, "because they are more flexible than UDAGs." ☐

Kim Beury is the Washington correspondent for **American City & County.**

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its Congress of Cities meeting in Boston in December. Some of its provisions include revising the federal banking, insurance and tax policies to bring them into line with the new housing policies, redirecting federal funds into rental and home-ownership programs to ease the housing burdens on local governments, and revising regulations that prevent the elderly from living with others in their age group. Other provisions are a greater push to develop favorable tax policies for low-income housing, stronger enforcement of anti-discrimination laws, and more funds for emergency shelters and support services for the homeless.

Study Shows Mayor Powers Vary

In the American political structure, most elected officials have authority equal to that of their peers. However, the formal powers of mayors differ significantly according to the recent Baseline Data Report, "Elected Executives: Authority and Responsibility."

The report analyzes the results of two surveys conducted by the International City Management Association that include sections on the role of the mayor and extent of authority. The analysis covers the role of the mayor relative to council membership, veto power, voting authority, form of government and type of election system. Observations are drawn from cross-tabulations that delve into several levels of distinctions in the extent of mayoral authority.

The traditional concept of "separation of powers" is uncommon in many cities. In fact, 75 percent of mayors with veto power also have some form of voting authority on city councils. Even in mayor-council jurisdictions, more than 80 percent permit the mayor to vote on council measures. In 64.9 percent of the municipalities, the mayor is a member of the council. Use of the at-large election system has declined among all forms of government.

Voters Surveyed On Child Care

Under the joint sponsorship of the American Federation of State, County and Municipal Employees (AFSCME) and the Children's Defense Fund, a national telephone survey among a representative sample of 901 voters was conducted to measure voter attitudes toward child care. Highlighted was the Act For Better Child Care Services (ABC) now being debated in Congress.

A majority of Americans think child care is an urgent need today, and express strong support for governmental initiatives to assure parents of the availability of affordable, quality services.

The creation of federal health and safety standards for child care services is as important as affordability for most Americans. Seventy-five percent of voters believe the federal government should establish minimal standards of health and safety for child care facilities, rather than leave such standards to individual states.

The ABC measure garners strong support, with 60 percent of voters polled in favor of ABC, and 32 percent opposed. ABC obtains support from the South, Northeast, Central and Western regions as well as from working mothers, young parents and voters not raising young children. ABC is supported by all age groups, voters of all incomes and by a majority of Democrats and Independents and a near majority of Republican voters.

Most voters believe ABC should benefit middle-income working families as well as those with low incomes. The desire to make child care assistance available to both middle- and low-income families is shared by voters in the highest socioeconomic category as well as those with low incomes themselves.

Health and safety standards, freedom of choice, training and consumer information are among the most attractive aspects of the act. Voters strongly support ABC's provision for establishing minimal federal standards for health, safety and quality. They are attracted by the plan's flexibility to give parents the freedom to choose from a variety of approved child care options, including schools, churches, homes and centers. On-the-job training and worker recruitment aspects of the bill received strong support, and assistance to consumers to help locate suitable child care services is a desirable aspect.

Voters favored a proposal now in Congress guaranteeing parents of both genders employed by companies with

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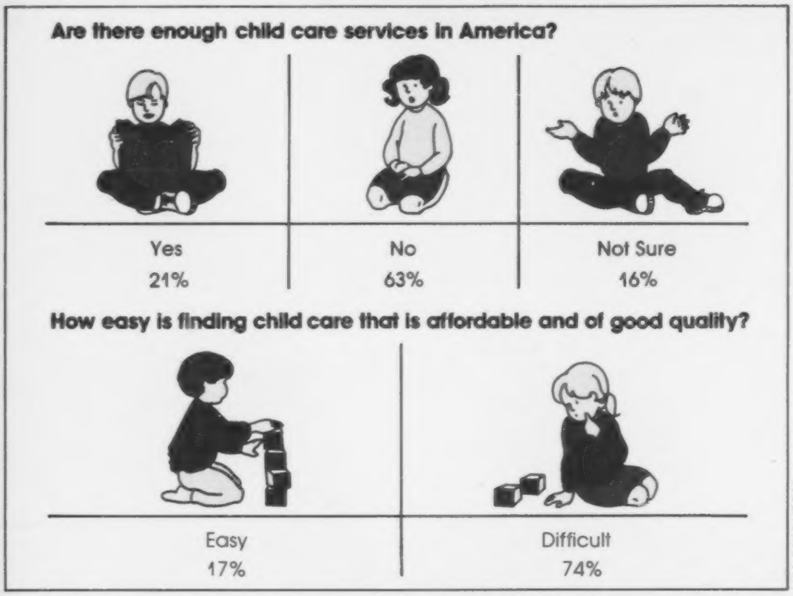

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more than 35 workers up to 10 weeks unpaid parental leave. Voters also believe worker health insurance benefits should not be interrupted when parents obtain unpaid parental leave from their employers.

Jails Selected In Design Competition

The Woodford County Jail in Versailles, Ky., has been selected by the American Institute of Architects and the American Correctional Association for inclusion in the 1988 Exhibition of Architecture for Justice.

The structure, designed by The Voinovich Companies, Cleveland, is a one-story, full-service adult and juvenile detention facility with police headquarters. Its design is in keeping with the surrounding residential and recreational urban setting.

The Williamson County Jail in Franklin, Tenn., designed by the same firm in association with Waterfield Goodwin Associates Architects, has incorporated into the structure a juvenile facility. The jail and the juvenile areas share common support services, but by design they function as separate entities, meeting state standards.

Computerized Center Reduces Waste Problems

A major effort to increase proper waste utilization in the United States has resulted in the creation of The Hazardous and Solid Waste Resource Facility (HSWRF). The pilot facility is the result of years of research and design work.

Making it possible for industry participants and the government to immediately obtain the information they need, HSWRF eliminates the problem of not enough pertinent information. The data stored in the facility, including photographs and videotape, are accessible by phone, computer, and facsimile to those with compatible low-cost microcomputers.

Serving as an educational center and open forum, the facility will enable government, the private sector and educators to work more closely in solving waste-related problems. People with successful waste utilization or resource recovery methods can share their experience and knowledge with others. Consequently, better methods can be implemented more quickly throughout the nation.

In spite of vast amounts of money spent in the United States on waste problems and having some of the most advanced technologies, the nation has a lower rate of waste recycling than other developed nations.

New Jersey Protects Wetlands

New Jersey's Freshwater Wetlands Protection Act gives authority to regulate development in freshwater wetlands to the New Jersey Department of Environmental Protection (NJDEP) and preempts direct municipal and county regulation of wetlands activities.

The statute's objective is to preserve the water purification flood protection and habitat of freshwater wetlands. The new law directs NJDEP to secure delegation of present U.S. Army Corps of Engineers wetlands and non-navigable waters permit jurisdiction. In addition, the statute establishes regulated buffers surrounding freshwater wetlands.

The statute also prohibits fill activities, excavation, dredging, pilings, and destruction of plant life within freshwater wetlands. New Jersey's wetlands law, in contrast to federal regulations, classifies wetlands by environmental value — exceptional wetlands, ordinary wetlands and intermediate wetlands.

Under federal regulations and under the wetlands law, a permit applicant must demonstrate that the project's purposes could not be accomplished with lesser wetlands disturbance. To meet this test, the applicant must demonstrate that the project could not be redesigned or reduced in scale, thereby avoiding or minimizing wetlands encroachment. In addition, the applicant must demonstrate an alternative site for the proposed development could not be obtained.

If NJDEP is satisfied, the applicant must compensate for wetland loss by creating new wetlands or enhancing the environment of existing wetlands.

Penalties for violating New Jersey's wetlands law are dictated by federal regulations. Fines of up to $25,000 per day may be imposed for a willful or negligent first violation. In addition, NJDEP may record a deed restriction prohibiting transfer of property until a violation is corrected.

To provide guidance and to avoid unintentional violations, the statute allows a potential developer to apply for a letter of interpretation establishing the wetlands boundary and the extent of any surrounding transition area.

Under New Jersey's Municipal Land Use Law, local planning boards and boards of adjustment may not withhold subdivision and site plan approvals pending receipt of development permits from other governmental agencies, but such approvals may be conditioned upon proof that the necessary permits have been issued.

The law's intent is to establish a comprehensive and consistent system for review of applications for all wetlands development proposals within New Jersey and to solicit the expertise and concerns of local governmental agencies. ☐

This article was written by Lloyd H. Tubman, an associate with Pitney, Hardin, Kipp & Szuch, Morristown, N.J. He is a member of NJDEP's Wetlands Advisory Committee.

NORTHEAST

Child Support Hotline Established in Philadelphia

The Philadelphia Court of Common Pleas recently implemented a "Philadelphia Support Line," designed to provide 24-hour child support account information.

The Unisys Voice Information Processing System (VIPS), an automated telephone answering system, was selected to provide immediate, up-to-date information for beneficiaries of welfare and non-welfare support orders.

The system allows clients to access case information using a special identification number, 24 hours a day, seven days a week, with a touch tone telephone. The computer handles 12 calls simultaneously. Case information is updated each night to ensure that clients receive the most current information available, including Family Payment, Arrears, Court Order, Wage or Income Attachment, as well as an on-line help feature.

Philadelphia: While the city celebrates at public events and block parties, behind-the-scenes commercial recycling often reduces litter and trash from the events. Philadelphia Recycling Inc. recycles aluminum cans from at least one community event each weekend. At the largest recent event, the Third Annual Jambalaya Jam, about 4,000 pounds of aluminum cans were recycled. The Philadelphia Recycling Office plans to promote recycling throughout the entire city, to both the community and commercial sectors. Commercial waste is approximately one-half of the total wastestream in Philadelphia. The prob-

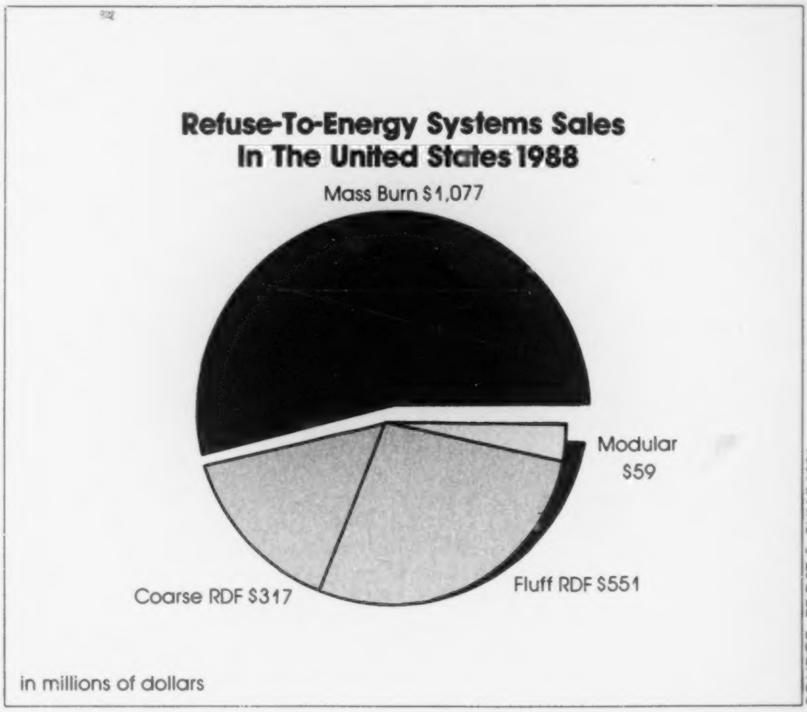
Report Predicts RTE Increase

A report by Frost & Sullivan, New York, indicates the solid waste disposal problem amounts to a crisis in many parts of the United States. As landfills close and open burning is banned in urban areas, the cost of waste disposal has risen sharply.

The report, "Refuse to Energy: Steady Growth for a System Which Meets a Real (Burning) Need," forecasts an increase in installed refuse-to-energy (RTE) plant capacity from 39,100 tons per day (tpd) at the end of 1987 to 294,100 tpd by 2005. U.S. sales of RTE capital equipment and service will total $25.5 billion between 1988 and 2005. At the end of 1987, 70 RTE plants were operating.

The report predicts a combination of factors will make RTE more popular. Alternatives such as incineration and landfills increasingly will be prohibited. Substantial advances in RTE technology will occur. And the cost of energy derived from fossil fuel is expected to rise faster than inflation, making power producers likely to choose RTE as a more economical method of production.

There are various categories of RTE plants, including mass burn boiler systems which burn unprocessed refuse and refuse-derived fuel (RDF) systems, including those using course and fluff fuel and modular systems. Between 1988 and 2005, 148 new mass burn plants are predicted to be built at a cost of $17.2 billion and a capacity of 175,450 tpd. Eighty modular plants with a capacity of 20,750 tpd will be built at a cost of $1.2 billion, while 59 RDF plants with a 58,800 tpd capacity will be built at a cost of $7.2 billion.


Refuse-To-Energy Systems Sales In The United States 1988

SOURCE: FROST & SULLIVAN

Reuter To Build Florida Facilities

Reuter Inc., Hopkins, Minn., has announced the fourth and final approval by cities in southern Florida for construction of a $40 million solid waste refuse recycling and composting facility to be owned and operated by the company.

The facility will be located in Pembroke Pines, Fla., serving that city as well as the nearby municipalities of Hallandale, Dania and Pompano Beach.

The four municipalities have guaranteed delivery of a minimum of residential and commercial solid waste of 153,000 tons per year. The agreement will run for a 20-year period and provides for a guaranteed tip fee. The plant will have an initial capacity of 200,000 tons per year.

Texas Firm Develops Composting System

A volume reduction recycling and composting system has been developed by U.S. Waste Recovery Systems, Fort Worth, Texas, a subsidiary of U.S. Waste Management.

The new system uses a proprietary bacterial enzyme that rapidly transforms ordinary municipal garbage into nutrient rich compost that can be sold and used as a fertilizing agent.

The system, which has been operational in the Sumter County, Fla., landfill for several months, reduces the volume of garbage buried in a landfill, extending its life. The system costs 40 to 60 percent less to install than other treatment methodologies and creates a new revenue stream through the sale of recyclables and compost.

Two Firms Planning New Hampshire Plant

A limited partnership agreement has been executed by KTI Energy, Portland, Maine, and National Ecology, Timonium, Md., to form RD Fuel Company.

Specializing in resource recovery, the new company will locate its first operating facility in Seabrook, N.H. The plant will accept municipal solid waste from coastal New England communities at an initial rate of up to 800 tons per day.

Portland, Maine: KTI Energy, the Maine Energy Recovery Co. and Penobscot Energy Recovery Co. have implemented a recycling plan to encourage Maine communities to separate and recycle non-combustible materials. The project will pay communities to remove and recycle glass bottles and jars, cans and batteries from their waste stream. For each pound recycled, the companies will offer a credit to that municipality's tipping fee and will reduce the community's mininum waste-delivery commitment by the amount recycled.

Johnston, R.I.: The Rhode Island Solid Waste Management Corp. and Odgen Martin Systems, Fairfield, N.J., have signed contracts for the construction and operation of a 750-tpd waste-to-energy facility. The second of three facilities planned for the state, the plant will be located on a 20-acre site adjacent to the Johnston landfill.

Philadelphia: The city has dedicated its first specialized recycling collections vehicle, the Lodal ECO-3030. The vehicle is the first selected for further testing by the Philadelphia Sanitation Division's Labor-Management Committee which oversees equipment selections. ☐

MUNICIPAL COST INDEXES

The **Municipal Cost Index** rose 0.3 percent from September, to 115.3. The index has increased 5.1 percent over the past year. Both the **Consumer Price Index** and the **Producer Price Index** increased 0.4 percent, to 118.5 and 107.8, respectively. The **Construction Cost Index** remained stable at 118.0.

Fuel commodities registered wide changes, with fuel oil no. 2 dropping 7.1 percent from last month and diesel fuel registering a 7.5 percent drop. Of all fuel commodities, gasoline remained the most constant, experiencing a 2.9 percent rise.

—Compiled by Tim Darnell

THIS MONTH'S MARKETBASKET

	Current Index	Percent Change From: Last Month	Last Year
Air Conditioners	113.2	0.4	3.9
Apparel	112.1	0.3	3.2
Asphalt Roofing	95.9	1.3	5.8
Coal	95.3	0.1	−0.8
Communication Devices	102.8	−1.0	0.1
Concrete Products	110.0	−0.2	0.5
Construction Machinery	111.9	0.6	2.6
Diesel Fuel	47.2	−7.5	−15.9
Electric Components	117.7	−0.1	2.4
Electric Power	116.4	1.9	1.4
Floor Coverings	114.3	0.6	2.9
Fuel Oil No. 2	46.8	−7.1	−18.2
Foundry Products	110.1	0.5	4.4
Furniture	117.8	0.3	4.4
Gasoline	60.9	2.9	−1.8
Generator Sets	121.5	−0.2	5.6
Glass	109.7	0.5	2.1
Glass Containers	112.2	0	−0.7
Gypsum Products	108.3	−1.8	−12.7
Hardware	113.5	0.5	3.6
Heating Equipment	120.5	1.8	4.3
Industrial Chemicals	108.8	2.7	13.0
I.C. Engines	111.2	0.3	1.5
LP Gas	54.0	−3.2	−6.7
Lumber	131.9	−1.1	3.6
Metal Fabrications	116.1	1.2	10.4
Mixed Fertilizers	104.9	0.1	10.3
Motor Vehicle Parts	107.0	0.1	1.0
Natural Gas	74.5	−2.9	−6.2
Office Machines	107.1	0	3.6
Paint	116.0	2.2	6.3
Paper	123.6	1.1	11.3
Passenger Cars	112.8	0.3	0.4
Plumbing Fixtures	128.9	2.0	7.2
Plywood	105.2	2.8	4.9
Portland Cement	103.8	0.1	1.0
Pumps, Compressors	109.1	0.5	3.7
Residual Fuel	39.2	−10.3	−32.6
Rubber Products	110.7	1.6	10.0
Sand, Gravel	120.4	−0.3	1.6
Sanitary Papers	115.6	0.7	6.3
Soaps, Detergents	114.9	1.0	5.0
Sporting Goods	106.2	0.3	3.8
Steel Mill Products	111.3	0.2	9.8
Switchgear	113.3	−0.3	−2.5
Tires, Tubes	95.3	1.3	4.7
Tools, Dies	110.7	0.5	1.2
Transformers	108.6	1.2	1.8
Trucks	110.9	0.1	−0.6
Valves	113.9	0.6	5.0
Wire, Cable	127.1	2.5	21.6
Wiring Devices	123.7	0.2	3.9

At-A-Glance Changes

MUNICIPAL COST INDEX

Last Year	Last Month	This Month
339.4	115.0	115.3

Percent Change From Last: Month **0.3** Year **5.1**

CONSTRUCTION COST INDEX

Last Year	Last Month	This Month
377.8	118.0	118.0

Percent Change From Last: Month **0** Year **4.9**

CONSUMER PRICE INDEX (BLS)

Last Year	Last Month	This Month
115.3	118.0	118.5

Percent Change From Last: Month **0.4** Year **2.8**

PRODUCER PRICE INDEX (BLS)

Last Year	Last Month	This Month
99.5	107.4	107.8

Percent Change From Last: Month **0.4** Year **8.0**

These figures are calculated on a base year of 1982.

QUARTERLY MUNICIPAL TRENDS

	Current Level	Percent Change From: Last Qtr.	Last Year
Receipts	682.4	2.8	8.0
Federal Grants	111.2	10.0	9.8
Durable Purchases	29.3	2.8	11.4
Consumables	45.7	0.4	9.9
Services	430.0	2.1	8.3
Structures	64.8	−0.2	1.1
Salaries, Wages	338.3	2.0	7.9
Surplus	91.7	2.6	10.3
Employment	14.413M	0.9	−18.5